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THE COÖPERATIVE MOVEMENT IN RUSSIA  
DURING THE WAR



ECONOMIC AND SOCIAL HISTORY OF THE  
WORLD WAR

JAMES T. SHOTWELL, LL.D., *General Editor.*

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RUSSIAN SERIES

SIR PAUL VINOGRADOFF, F.B.A., *Editor.*

(Died, December 19, 1925.)

MICHAEL T. FLORINSKY, M.A., *Associate Editor.*

# THE COÖPERATIVE MOVEMENT IN RUSSIA DURING THE WAR

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## CONSUMERS' COÖPERATION

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## CREDIT AND AGRICULTURAL COÖPERATION

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PRAGUE

NEW HAVEN : YALE UNIVERSITY PRESS  
LONDON : HUMPHREY MILFORD : OXFORD UNIVERSITY PRESS  
FOR THE CARNEGIE ENDOWMENT FOR INTERNATIONAL  
PEACE : DIVISION OF ECONOMICS AND HISTORY

1929



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PRINTED IN THE UNITED STATES OF AMERICA

## EDITOR'S PREFACE

IN the autumn of 1914, when the scientific study of the effects of war upon modern life passed suddenly from theory to history, the Division of Economics and History of the Carnegie Endowment for International Peace proposed to adjust the program of its researches to the new and altered problems which the War presented. The existing program, which had been prepared as the result of a conference of economists held at Berne in 1911, and which dealt with the facts then at hand, had just begun to show the quality of its contributions; but for many reasons it could no longer be followed out. A plan was therefore drawn up at the request of the Director of the Division, in which it was proposed, by means of an historical survey, to attempt to measure the economic cost of the War and the displacement which it was causing in the processes of civilization. Such an "Economic and Social History of the World War," it was felt, if undertaken by men of judicial temper and adequate training, might ultimately, by reason of its scientific obligations to truth, furnish data for the forming of sound public opinion, and thus contribute fundamentally toward the aims of an institution dedicated to the cause of international peace.

The need for such an analysis, conceived and executed in the spirit of historical research, was increasingly obvious as the War developed, releasing complex forces of national life not only for the vast process of destruction, but also for the stimulation of new capacities for production. This new economic activity, which under normal conditions of peace might have been a gain to society, and the surprising capacity exhibited by the belligerent nations for enduring long and increasing loss—often while presenting the outward semblance of new prosperity—made necessary a reconsideration of the whole field of war economics. A double obligation was therefore placed upon the Division of Economics and History. It was obliged to concentrate its work upon the problem thus presented, and to study it as a whole; in other words, to apply to it the tests and disciplines of history. Just as the War itself was a single event, though penetrating by seemingly unconnected ways to the remotest parts of the world, so the analysis of it must be developed according

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to a plan at once all embracing and yet adjustable to the practical limits of the available data.

During the actual progress of the War, however, the execution of this plan for a scientific and objective study of war economies proved impossible in any large and authoritative way. Incidental studies and surveys of portions of the field could be made and were made under the direction of the Division, but it was impossible to undertake a general history for obvious reasons. In the first place, an authoritative statement of the resources of belligerents bore directly on the conduct of armies in the field. The result was to remove as far as possible from scrutiny those data of the economic life of the countries at war which would ordinarily, in time of peace, be readily available for investigation. In addition to this difficulty of consulting documents, collaborators competent to deal with them were for the most part called into national service in the belligerent countries and so were unavailable for research. The plan for a war history was therefore postponed until conditions should arise which would make possible not only access to essential documents, but also the coöperation of economists, historians, and men of affairs in the nations chiefly concerned, whose joint work would not be misunderstood either in purpose or in content.

Upon the termination of the War, the Endowment once more took up the original plan, and it was found with but slight modification to be applicable to the situation. Work was begun in the summer and autumn of 1918. In the first place a final conference of the Advisory Board of Economists of the Division of Economics and History was held in Paris, which limited itself to planning a series of short preliminary surveys of special fields. Since, however, the purely preliminary character of such studies was further emphasized by the fact that they were directed more especially toward those problems which were then fronting Europe as questions of urgency, it was considered best not to treat them as part of the general survey, but rather as of contemporary value in the period of war settlement. It was clear that not only could no general program be laid down *a priori* by this conference as a whole, but that a new and more highly specialized research organization than that already existing would be needed to undertake the Economic and Social History of the World War, one based more upon national grounds in the first instance, and less upon purely international coöperation. Until the facts of

national history could be ascertained, it would be impossible to proceed with comparative analysis; and the different national histories were themselves of almost baffling intricacy and variety. Consequently the former European Committee of Research was dissolved, and in its place it was decided to erect an Editorial Board in each of the larger countries and to nominate special editors in the smaller ones, who should concentrate, for the present at least, upon their own economic and social war history.

The nomination of these boards by the General Editor was the first step taken in every country where the work has begun. And if any justification were needed for the plan of the Endowment, it at once may be found in the lists of those, distinguished in scholarship or in public affairs, who have accepted the responsibility of editorship. This responsibility is by no means light, involving as it does the adaptation of the general editorial plan to the varying demands of national circumstances or methods of work; and the measure of success attained is due to the generous and earnest coöperation of those in charge in each country.

Once the editorial organization was established, there could be little doubt as to the first step which should be taken in each instance toward the actual preparation of the History. Without documents there can be no history. The essential records of the War, local as well as central, have therefore to be preserved and to be made available for research in so far as is compatible with public interest. But this archival task is a very great one, belonging of right to the Governments and other owners of historical sources and not to the historian or economist who proposes to use them. It is an obligation of ownership; for all such documents are public trust. The collaborators on this section of the War History, therefore, working within their own field as researchers, could only survey the situation as they found it and report their findings in the forms of guides or manuals; and perhaps, by stimulating a comparison of methods, help to further the adoption of those found to be most practical. In every country, therefore, this was the point of departure for actual work; although special monographs have not been written in every instance.

The first stage of the work upon the War History, dealing with little more than the externals of archives, seemed for a while to exhaust the possibilities of research, and had the plan of the History been limited to research based upon official documents, little more

could have been done, for once documents have been labeled "secret" few government officials can be found with sufficient courage or initiative to break open the seal. Thus vast masses of source material essential for the historian were effectively placed beyond his reach, although much of it was quite harmless from any point of view. While war conditions thus continued to hamper research, and were likely to do so for many years to come, some alternative had to be found.

Fortunately such an alternative was at hand in the narrative, amply supported by documentary evidence, of those who had played some part in the conduct of affairs during the War, or who, as close observers in privileged positions, were able to record from first- or at least second-hand knowledge the economic history of different phases of the Great War, and of its effect upon society. Thus a series of monographs was planned consisting for the most part of unofficial yet authoritative statements, descriptive or historical, which may best be described as about halfway between memoirs and blue-books. These monographs make up the main body of the work assigned so far. They are not limited to contemporary war-time studies; for the economic history of the War must deal with a longer period than that of the actual fighting. It must cover the years of "deflation" as well, at least sufficiently to secure some fairer measure of the economic displacement than is possible in purely contemporary judgments.

With this phase of the work, the editorial problems assumed a new aspect. The series of monographs had to be planned primarily with regard to the availability of contributors, rather than of source material as in the case of most histories; for the contributors themselves controlled the sources. This in turn involved a new attitude toward those two ideals which historians have sought to emphasize, consistency and objectivity. In order to bring out the chief contribution of each writer it was impossible to keep within narrowly logical outlines; facts would have to be repeated in different settings and seen from different angles, and sections included which do not lie within the strict limits of history; and absolute objectivity could not be obtained in every part. Under the stress of controversy or apology, partial views would here and there find their expression. But these views are in some instances an intrinsic part of the history itself, contemporary measurements of facts as significant as the



facts with which they deal. Moreover, the work as a whole is planned to furnish its own corrective; and where it does not, others will.

In addition to the monographic treatment of source material, a number of studies by specialists are already in preparation, dealing with technical or limited subjects, historical or statistical. These monographs also partake to some extent of the nature of first-hand material, registering as they do the data of history close enough to the source to permit verification in ways impossible later. But they also belong to that constructive process by which history passes from analysis to synthesis. The process is a long and difficult one, however, and work upon it has only just begun. To quote an apt characterization; in the first stages of a history like this, one is only "pieking cotton." The tangled threads of events have still to be woven into the pattern of history; and for this creative and constructive work different plans and organizations may be needed.

In a work which is the product of so complex and varied coöperation as this, it is impossible to indicate in any but a most general way the apportionment of responsibility of editors and authors for the contents of the different monographs. For the plan of the History as a whole and its effective execution the General Editor is responsible; but the arrangement of the detailed programs of study has been largely the work of the different Editorial Boards and divisional Editors, who have also read the manuscripts prepared under their direction. The acceptance of a monograph in this series, however, does not commit the editors to the opinions or conclusions of the authors. Like other editors, they are asked to vouch for the scientific merit, the appropriateness and usefulness of the volumes admitted to the series; but the authors are naturally free to make their individual contributions in their own way. In like manner the publication of the monographs does not commit the Endowment to agreement with any specific conclusions which may be expressed therein. The responsibility of the Endowment is to History itself—an obligation not to avoid but to secure and preserve variant narratives and points of view, in so far as they are essential for the understanding of the War as a whole.

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In the case of Russia, civil war and revolution followed so closely upon the World War that it is almost impossible for history to

measure with any degree of accuracy the effects of the World War itself upon the economic and social life of the country. Those effects were so distorted by the forces let loose in the post-war years and so confused with the disturbances of the revolutionary era that the attempt to isolate the phenomena of the War from the data of civil war and to analyze the former according to the plan followed in the other national series of this collection has been a task of unparalleled difficulty. Over and above the intricacies of the problem and its illusive character, the authors of the Russian monographs have had to work under the most discouraging circumstances and with inadequate implements of research. For those who know the scarcity of the documentary material available, it will be a matter of no little surprise to find, in the pages of this Russian Series, narratives and substantiating data which measure up so well in comparison with those prepared by the collaborators in other countries. The achievement of the Russian Division of the History is, all things considered, the most remarkable section of the entire collection. This is due, in the first place, to the fact that the authors, all of them exiles who live in foreign lands, have not only brought to this task the scientific disciplines of their own special fields but also an expert knowledge drawn from personal experience which in several instances reached to the highest offices of State.

While these volumes in the Russian History constitute so very considerable an achievement, they cannot in the very nature of the case cover with adequate statistical or other specific data many of the problems with which they deal. No one is more conscious of their shortcomings in this regard than the authors themselves. Nevertheless, with inadequate material and under hampering circumstances they have prepared a body of text and a record which, if admittedly incomplete as history, contains at least one element that would otherwise be lost for the future understanding of this great crisis in human affairs, an element which no other generation working from Russian archives could ever supply. We have here the mature comment upon events by contemporaries capable of passing judgment and appraising values, so that over and above the survey of phenomena there is presented a perspective and an organization of material which will be a contribution to history hardly less important than the substance of the monographs.

The Russian Series was in the first instance planned by one of the



most distinguished of Russian scholars who had long been a resident of England, Sir Paul Vinogradoff, Corpus Professor of Jurisprudence at the University of Oxford. To the planning of the Series Sir Paul gave much time and thought. His untimely death in December, 1925, prevented him from seeing its fruition or from assuming the editorial responsibility for the texts. Nevertheless, the Series as a whole remains substantially as he had planned it.

J. T. S.



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I  
CONSUMERS' COÖPERATION  
BY EUGENE M. KAYDEN



## CHAPTER I

### A SURVEY OF COÖPERATIVE DEVELOPMENT IN RUSSIA

#### *Introductory.*

ON December 21, 1919, the English coöperative societies in London were surprised by wireless communications from Siberia congratulating them on the seventy-fifth anniversary of the Rochdale Equitable Pioneers' Society. The jubilee was celebrated in far-away Vladivostok, Tomsk, Irkutsk, and numerous cities, towns, and villages of Siberia and European Russia. Special jubilee editions were printed and distributed to the population, there were public lectures, evening entertainments, children's games, etc. "At a moment of universal chaos and ruin," read the communication from Vladivostok, "the united coöperative societies . . . beg to add their voice to the aspiration of coöperators the world over for the realization of the shining ideals of the Rochdale Pioneers by international economic and spiritual efforts." From Irkutsk the message sent to the International Coöperative Alliance, in sign of their common cause, read:

On the jubilee day of the Rochdale Pioneers thousands of coöperators of Irkutsk and the province are thinking of the little store of the Rochdale weavers and the development of coöperation to its modern gigantic proportions. . . . In the midst of general ruin, misery and fratricidal warfare, the coöperation of workers in all countries is the mightiest weapon. On this day we add our voice to the common hymn in honor of the commemoration.<sup>1</sup>

Russia had time to pause for a day, even in the midst of general economic chaos and want, for sentimental rejoicing about the anniversary of the little store opened by poor English workers on Toad Lane, in Rochdale, in 1844. The symbolic significance of the day had aroused universal enthusiasm and commemoration. In England the day passed unobserved. But the incident is chiefly symbolic of the social idealism of the coöperative movement in Russia and the large

<sup>1</sup> *Izvestia Centrosoyusa* (*News of the Centrosoyus*), Vladivostok, January 1, 1920.

hopes for human advancement that had centered around the movement before and during the Great War.

The Russian nation celebrated in 1915 the fiftieth anniversary of its own coöperative movement, and that occasion afforded an opportunity to pass in review the stages of its growth and development. It was even then the foremost coöperative organization in the world in the number and membership of its societies, a movement embracing nearly twelve million individual members. The Russian movement was very young in 1915, perhaps the youngest in Europe. Its beginnings were very small, and it was only toward the end of the nineteenth century, and especially after the abortive revolution of 1906, that it could really be called a social movement. And yet no other country possessed coöperative organizations as broad in scope and affecting the interests of so many classes of the population. Conceived for the benefit and welfare of the great masses, it possessed all the force of a new and original democratic ideal, breadth of organization, business ability, and social vision.

### *The Pioneers of Coöperation.*

The primitive form of coöperation in Russia was the labor *artel* or association. This was a voluntary association of individuals for a definite industrial undertaking, usually of a temporary character, conducted on a basis of joint management and responsibility. The principles and practice of mutual aid and association were deeply rooted in the habits and culture of the masses. It was a national trait, which had colored the social outlook of Russia's intellectual leadership and their programs of change or escape from the evils of modern industrialism.

The modern form of coöperation dates from 1865, in which year a consumers' society was founded at Riga, and the first loan and savings association in the village of Dorovatovo, in the province of Tver.<sup>2</sup> The rise of coöperation was contemporaneous with a new era in Russia's history, opened by the abolition of serfdom and by other reforms that accompanied and followed that act. The interest in coöperation was the response of a liberated public opinion to the

<sup>2</sup> Professor A. Merkulov begins the count with the year 1864, when a consumers' society was opened in an obscure settlement in the province of Perm, in the Ural Mountain region.



new problems of the times that appeared with railways, factories, national markets, money wages, and credit economy.

The majority of the early pioneers belonged to the privileged and educated classes. They were acquainted with the theories of association advanced in Europe by Robert Owen, Charles Fourier, and Louis Blanc as a means for the abolition of poverty and the emancipation of labor. Professor N. Siber, a well-known Russian economist, was a devoted advocate of the principles of coöperation, and published an able pamphlet on the organization of consumers' societies in 1869. From Germany the two Lughinin brothers, landowners of the liberal school, brought the idea of a loan and savings association on the model of the Schulze-Delitzsch credit societies. From England, from a study of Robert Owen's writings and the Rochdale Pioneers, N. P. Ballin, an assistant librarian at the University of Kharkov, borrowed the idea of a consumers' society. He became the founder of a number of consumers' societies, coöperative dining halls, and also of the first coöperative workshop of tailors at Kharkov. He was also the first to attempt to initiate direct trading with the English Coöperative Wholesale Society. To the ex-officer Vereshchagin belongs the honor of having organized the first creamery associations, after a practical study of the business in Switzerland. Finally in 1871 was founded, in conjunction with the Moscow Agricultural Society, the Committee on Rural Loan and Savings and Trades Associations, and a branch committee was afterward opened in St. Petersburg. The two committees included ardent advocates and supporters of the coöperative movement, and aimed to help the new organizations with information and practical advice.

The first thirty years of the history of Russian coöperation were years of small beginnings; it was a period of experimentation and of philanthropic interest. Only 459 charters were issued for the incorporation of consumers' societies before 1896, and only about 14 per cent of these were for the rural population. Of the 307 consumers' stores existing in 1897 the number operating in the villages was only 56. The agricultural societies numbered 175 at the beginning of 1896.<sup>3</sup> There were only a few cottage handicraft associations. Of

<sup>3</sup> B. R. Frommett, *Krestyanskaya Kooperatsya i obshchestvennaya zhizn* (*Rural Coöperation and Social Life*), Petrograd, 1917, p. 7; S. N. Prokopovich, *Kooperativnoe dvizhenie v Rossii: evo teorya i praktika* (*The Coöperative Movement in Russia in Theory and Practice*), Moscow, 1913, p. 261.

the 13 cheese-making workshops established by Vereshchagin in the 'sixties in the province of Tver, only one remained by 1890; of the 14 established in Yaroslav, three were left. The jurist N. V. Levitsky founded 119 coöperative workshops among city artisans between 1894 and 1897, but not one of these remained in operation by 1900.<sup>4</sup> The number of coöperative societies of all kinds by 1896 was barely 1,000 with a total membership of 150,000. It seemed from these ill-fated beginnings that coöperation, in the modern sense, was not adaptable to Russian conditions for two decades after the Emancipation Act of 1861, and the reasons for it were not far to seek. Rural economy was self-contained in the main, the population was immobile, the factory working class ill defined or impermanent in character; there were few banks in the country, and few railways. The first wave of coöperative enterprise for production, credit, and consumption spent its force in the late 'seventies, leaving a few isolated societies in its wake, reminders of the transitory social idealism of the well-to-do upper classes and their interest in the betterment of the lower classes.

#### *Industrialism and the New Coöperation.*

Meantime a new Russia was in the making, the first shoots of modern capitalistic economy appearing on the vast surface of traditional agrarianism. Whereas there were only a few miles of railroad before 1861, a system of over 21,000 miles existed in 1879; of the 39 commercial banks, seven were founded during 1864-1870, and twenty-one in 1871-1873; there were 40 municipal banks in 1862, and 222 in 1873; ten joint-stock land banks appeared during 1871-1878.<sup>5</sup> Industrialism was rising, and with it the wide internal and world market, and the increasing demand for agricultural products. The self-sufficient village was entering the phase of money economy, compelled to buy more of what it used to produce at home. In the last two decades of the nineteenth century Russia was drawn into the current of international trade and exchange. Her basic industries,

<sup>4</sup> N. Bykhovsky, *Illusions and Realities in the Coöperative Movement*, in *Severnaya Zapiski* (*The Northern Memoirs*), June, 1916, p. 174.

<sup>5</sup> P. Milyukov, *Ocherki russkoi kulturi* (*Studies in Russian Civilization*), Part I, p. 121.

as the production of coal, iron, oil, cotton, etc., developed at a rapid stride. The industrial population of the towns increased by 64 per cent in the ten years, 1887 to 1897, whereas the total population of the country has grown only by 15 per cent. The production of iron increased more than fivefold in thirteen years, from 32,500,000 puds in 1886 to 165,200,000 puds in 1899.

It was about the middle of the 'nineties that the coöperative movement started on its true career. It coincided with the further advance of industrialism, the extension of the railway system, and the growth of credit facilities, which finally broke down the power of feudalism in the country. The cities and the new industrial settlements were the first to feel the effects of specialization and money wages, and their relation to the cost of living. Between 1860 and 1890 the prices of rye bread and meat doubled. The peasant producer was especially helpless in the environment of international market competition, without credit, without agricultural improvements, without special crops, without marketing facilities.

The shock of the great famine of 1891-1892 on government and society resulted in a conviction that the interests of the people demanded new protective economic agencies. So great was the need of relief from economic oppression, that the Government was compelled to come to the assistance of the peasant classes by providing for credit associations of a semi-coöperative type supported and controlled by the Imperial State Bank. In the short period from 1896 to 1904, inclusive, 536 credit associations receiving the support of the State and 370 new loan and savings associations opened their doors. More than 1,000 agricultural societies were founded between 1898 and 1907.<sup>6</sup> The number of charters issued to consumers' societies in the ten years, 1896 to 1905, was 1,044, of which 563 were established in rural districts.<sup>7</sup> The first wholesale society, the Moscow Union of Consumers' Societies, made its appearance in 1898, and in five years it grew from 21 to a membership of 131 societies, with a share capital of 11,750 rubles and a turnover of 260,240 rubles. The success of the movement was moderate, but it showed unmistakably the beginning of a new phase of development. In the last four years of the nineteenth century the aggregate membership of all coöperative organizations increased from 150,000 to about 750,000, of which two-

<sup>6</sup> Frommett, *loc. cit.*, pp. 9-10.

<sup>7</sup> Prokopovich, *loc. cit.*, pp. 261, 292.



thirds were found in credit organizations and about one-third in consumers' societies.<sup>8</sup>

These were small beginnings in a period of great agricultural and industrial stress. How circumscribed and of how slight social influence the coöperative movement was on the eve of the revolution of 1906 may be gleaned from the reports made in 1903 by the Special Imperial Committee on the Needs of Agriculture appointed to study the conditions and the means of improving the lot of the peasants. The report covered the whole of European Russia. Few of the witness-bearers from the provinces showed any faith in the importance or future of coöperation in the Russian villages as an institution of self-help. The local committees almost unanimously described it as "a dream of the future," affirming that there was "no favorable environment" for coöperation in the village, because of the lack of intelligent direction and leadership, lack of individual initiative, and the poor conditions of transportation and exchange.<sup>9</sup> The conclusion of the report was that leaving out of account the inchoate primitive forms of mutual aid among the peasants, coöperation may be regarded as an "exceptionable phenomenon" possible only where the work is taken up by some energetic intelligent member of the middle or upper class.<sup>10</sup>

#### *Legal and Administrative Disabilities.*

The prime cause of the low state of coöperation was really to be traced to the recent character of industrialism and credit relations in Russia. But in no small degree, it was also due to the legal and administrative disabilities under which coöperation had suffered from the beginning. No sooner had the first coöperative society made its appearance than a decree was issued on July 22, 1866, which declared:

The governors are hereby authorized, in the interests of public order and the safety of the State, to use their power to prevent the assemblies of various private societies, clubs, and artels whenever there be dis-

<sup>8</sup> *The Russian Coöperator* (published in English), London, December, 1916, p. 5.

<sup>9</sup> S. V. Borodaevsky, *Kooperatsya* (*Coöperation: A Summary of the Enquiries of the Local Committees in 49 Provinces of European Russia*), St. Petersburg, 1904, pp. 72-75.

<sup>10</sup> *Ibid.*, p. 41.

covered in them tendencies contrary to State order and to public safety and morality.

On March 27, 1867, another decree was made public by which all secret gatherings of whatever sort, all associations, artels, including even those possessing a legal status, all clubs and circles, irrespective of their names or aims, whose existence was prejudicial to "public law and order," were declared illegal and liable to persecution by a sweeping and blank injunction. The final decision as to what constituted an evil or a good social purpose was left to the wisdom of local police authorities. These edicts came to be applied to every co-operative form, including consumers' and agricultural societies.<sup>11</sup>

After the revolutionary upheaval of 1906 the authorities were for a time disposed to let the coöperative movement alone. But administrative interference and actual persecution soon came back with redoubled force, especially in the period from 1908 to 1912. In the provinces of Chernigov, Orel, and Tambov, all applications for the formation of consumers' societies were flatly denied. In Volhynia, and in the city of Odessa, none was permitted except under the auspices of the patriotic Union of the Russian People, the notorious "Black Hundred" organization. Various reasons were given in refusing many petitions to organize coöperative associations. Sometimes it was the alleged political "unreliability" of certain members, or the intention of the new society to join the Moscow Union of Consumers' Societies; the existence of private stores nearby also served as a reason why no consumers' store be set up; sometimes the name of the society, "Harmony" or "Labor" or "Forward" or "Brotherhood," or perhaps a clause in the by-laws providing for educational activities, offended the official world. In some places coöperative societies were not permitted to own mimeographing machines, to conduct classes for adults, or to subscribe to periodicals. Literature dealing with co-operative problems was generally confiscated. In Kiev province, the police were empowered to arrest members, examine books and bills, confiscate literature, and to exact the promise of members not to employ the funds of the society for the purchase of newspapers and magazines, including those dealing with coöperative subjects. In Kharkov, the governor did not permit the coöperative societies to

<sup>11</sup> Not before 1906 did the consumers' stores come under the direct jurisdiction of the Ministry of the Interior. The power of provincial authorities over the agricultural societies was abrogated only in 1911.

establish and support a common hospital for the wounded in the Great War.<sup>12</sup> School teachers were enjoined from participating in the coöperative movement, and agricultural experts were often restricted in their work in agricultural societies and coöperative associations. Even the credit associations, which had enjoyed the protection of the central government, were now frequently interfered with by the local police authorities, who treated them in some localities as illegal organizations.<sup>13</sup> A local inspector of the Central Board of Small Credit had the following to report concerning the difficulties of the credit association at K. among household artisans:

The local administration regards it in the light of an illegal organization. It began with petty, unfounded and meaningless persecution against the whole association and its initiators. . . . Every announcement about a forthcoming meeting posted in the village is torn down by the police; the police is invariably present at the meetings, and an atmosphere of evil is created about the credit association as though it were an anti-governmental organization.<sup>14</sup>

The rise of coöperation in Russia called into being forms of economic and social organization which demanded a legal status with the rights of legal personality, and a system of simple registration that would free them from the whims and arbitrary acts of local and central authorities. However, down to the Revolution of March, 1917, the Russian laws on the subject of coöperation were inadequate and of a nature calculated to encourage official wilfulness and tyranny. While Germany had already in 1868 passed an imperial law relating to coöperative societies and their unions, providing that the mere act of registration was sufficient to give a society or a union a legal personality, in Russia no society could come into existence without the special permission of the central government or of the governor of the province, in each individual case. The chief demands of coöperation were clearly formulated at the second All-Russian Coöperative Congress, in 1913,—the right to form coöperatives by simple registration; freedom from administrative supervision and

<sup>12</sup> S. N. Prokopovich, *loc. cit.*, pp. 410-417; R. Olenin, *The Thorny Path of Russian Credit Coöperation*, in *Russkoe Bogatstvo* (*Russian Wealth*), May, 1913, pp. 262-268; *Vestnik Evropy* (*The European Messenger*), November, 1909, p. 95; Frommett, *loc. cit.*, pp. 25-28.

<sup>13</sup> Olenin, *loc. cit.*, pp. 262-264; Prokopovich, *loc. cit.*, pp. 423-428.

<sup>14</sup> Olenin, *loc. cit.*, pp. 262-263.



persecution; the right to federate into wholesale unions; and the freedom of meeting in conventions and organizing a central coördinating council for the movement as a whole.<sup>15</sup> But they argued and pleaded in vain. The Government continued to treat each form of coöperation separately, subjecting each to a different administrative department.

The consumers' societies fell from the beginning under the all-embracing police system of regulation. No society could come into existence except by the special permission of the Minister of the Interior, a process which often consumed years of hopeless waiting. The conference of coöperative organizations which met at Nizhni-Novgorod, in 1896, drew up a model form for consumers' societies, and was successful in getting the Government's approval of the rules within a year.<sup>16</sup> This shifted the official oversight from Petrograd to the governor of the province, provided the new society adopted rules and by-laws according to the model. The new procedure did not remove all the obstacles to organization; it only succeeded in bringing official sanction closer by a few months. The governors were given wide powers of supervision over the work and proceedings of the consumers' societies. They could forbid meetings, or disband the society itself.

The coöperative credit organizations were in no better position, even though they enjoyed the favor and financial support of the Government. It was only on June 7, 1904, that the old statute of 1895 was revised, permitting the credit coöperatives to organize on the basis of "model" rules issued by the Central Board of Small Credit Institutions in Petrograd, the immediate work of supervision being under the local inspector of small credit at the nearest branch of the State Bank. If the rules of the new society differed from the approved form, it was necessary to obtain the sanction of the Central Board and the approval of the Minister of Finance.<sup>17</sup>

The associations of producers were divided by the Government into two classes. The labor artels of the towns were regulated by the general civil laws. The decree of June 1, 1902, allowed their formation either on the basis of civil agreements or in accordance with a special

<sup>15</sup> A. S. Orlov, *Kooperatsya v Rossii nakanune i vo vremya voyny* (Coöperation in Russia on the Eve and during the War), Moscow, 1915, p. 10.

<sup>16</sup> *The Russian Coöperator*, February, 1917, p. 52.

<sup>17</sup> *Ibid.*, p. 52.



statute, subject also to the approval of the governor of the province with the power to disband them if the governor personally believed that they were violating some regulation of the Act. The agricultural associations, whose main activities consisted in the purchase of agricultural implements and household articles, and in the sale of farm products, came under the jurisdiction of a still different law and a different set of model rules, under the supervision and control of the Ministry of Agriculture. If the agricultural association engaged also in loan operations, or undertook to work up raw materials on the spot, it became necessary then to obtain the special approval of the Ministry of Finance or of the Ministry of Commerce and Industry, as the case might be.<sup>18</sup> Aside from the central control exercised by the Ministry of Agriculture, all agricultural associations came under the immediate oversight of the local governor of the province.

The destructive effects of these legal and administrative disabilities on the course of coöperation in Russia were especially felt in the spheres of educational propaganda and promotion. The right to form unions of individual societies or to hold congresses was naturally vital to the life and future of the coöperative movement. However, from the first, in 1870, the Minister of the Interior refused his permission for the holding of a convention of the representatives of coöperative societies on the ground that "there is no common cause between the societies, and there should be none."<sup>19</sup> Conferences or congresses could not be held without long preliminary petitioning, without arbitrary police officials on hand, without an "authorized" agenda, without the risk of being brought to a premature end at the will of the authorities. The first national congress took place in 1908 at Moscow, but it was dispersed by the police before its proceedings were at an end. The second congress, held at Kiev in 1913, was also the last under the old régime. The obstacles to the organization of federations of coöperatives were well-nigh insurmountable. It required years of waiting before the Ministry of the Interior would put its approval on the articles of a coöperative union, three to seven years being quite the usual delay. The consumers' societies of the Ural Mountain region applied seven times since 1902 for an au-

<sup>18</sup> *The Russian Coöperator*, February, 1917, p. 53.

<sup>19</sup> K. Pazhitnov, *The Fiftieth Anniversary of Consumers' Coöperation in Russia*, in *Sovremenny Mir (The Contemporary World)*, October, 1915, p. 109.

thorization to form a union, and only after the lapse of thirteen years was the appeal granted.<sup>20</sup> By the Act of June 7, 1904, the Government came tardily to the assistance of the credit coöperatives by extending to them the imperial sanction to form central unions—but not without the special approval of the Council of Ministers and the authorization of the Tsar himself in each individual case. Few unions were naturally organized under this restrictive system, and conditions were not appreciably better even after the passage, in 1911, of the first statutory law on credit unions.<sup>21</sup>

The opposition of the Government to coöperative unions was partly overcome by a turning movement. In the five or six years immediately preceding the War, many unions made their appearance without any official grant but quite in accordance with the general civil law bearing on commercial associations. They took advantage of a loophole in the commercial law which enabled societies to constitute themselves into what was practically a union by simply making an agreement with each other to that effect. In the second half of 1914, nearly one hundred new unions of various types were formed without the normal official sanction, by the simple expedient of a notarial agreement. Coöperative societies and unions entered into partnership agreements, their representatives coming together with broad powers of attorney and power to execute business transactions for their affiliated associations. This form of union proved to be quite adequate, but of necessity it was limited in territory. A few developed on a large scale, such as the Ekaterinburg Trade and Industrial Co-operative Society formed by twelve local societies, although indirectly it served 105 societies in 1914.<sup>22</sup> The Ministry of Justice declared their agreements “unlawful” and instituted a policy of repression. But these “illegal” partnerships persisted in spite of persecution.

### *The Period of National Expansion.*

The year 1906, the period of social and political upheavals, marked the turning point in the history of Russian coöperation, and

<sup>20</sup> *Ibid.*, pp. 114-115.

<sup>21</sup> N. V. Chaikovsky, in his report before the regional congress of the Union of Towns at Petrograd, in 1915, charged the Government with holding up fifty applications from credit unions. (*Severnaya Zapiski*, July-August, 1915, p. 168.)

<sup>22</sup> *Sovremenny Mir*, October, 1915, p. 115.

the beginnings of limited constitutional government imparted an even stronger impetus to the movement. No country showed such astonishing, rapid progress in coöperation as Russia did in the years following the revolution of 1905-1906. It was a spontaneous movement from below, part of the widespread industrial and agrarian discontent.

The following table shows, in round numbers, the strength of co-operative organizations classified by their chief types:<sup>23</sup>

<i>Types of Coöperation</i>	<i>January 1, 1905</i>	<i>January 1, 1914</i>	<i>January 1, 1915</i>
Credit coöperatives	1,430	13,000	14,500
Consumers' societies	950	10,080	11,000
Agricultural societies	700	4,680	5,000
Agricultural associations	—	1,250	1,800
Producers' associations	2,000	3,000	3,300

In the nine-year period between 1905 and 1914, the number of credit coöperatives (the two groups of loan and savings and of credit associations) increased more than ninefold, and the consumers' societies increased nearly eleven-fold. The coöperative system as a whole, in all its branches, grew from 5,000 to 32,000 primary organizations. No less remarkable was the persistent growth in membership in this period of national expansion. In nine years, the credit coöperatives increased in membership from 564,000 to 8,261,000; the consumers' societies, from 350,000 to 1,400,000; the agricultural and producers' associations counted a membership of approximately 500,000 in 1914. The aggregate number of households embraced in the coöperative movement before the War exceeded ten millions.<sup>24</sup> In the same period the operating funds of the credit co-operatives increased from about 61,000,000 rubles to 612,000,000 rubles, or more than tenfold. The annual business turnover of the consumers' societies which stood at 110,000,000 rubles in 1904

<sup>23</sup> *Torgovo-Promyshlennaya Gazeta (The Trade-Industrial Gazette)*, July 7, 1918; *Soyus Potrebitelei (The Union of Consumers)*, Moscow, No. 16, 1922, p. 39; *Sibirskaya Kooperatsiya (Siberian Coöperation)*, Novo-Nikolaevsk, January, 1919, p. 21.

<sup>24</sup> Counting five persons to each household, the population served by co-operation was 29 per cent of a total of 172,000,000. Three years later, the total membership was estimated at 13,500,000 separate households, and omitting the members counted twice, the population served by the movement was then fully 67,500,000 or 39 per cent of the total. In some places nearly four-fifths of the population were included in the coöperative movement.



amounted to 290,000,000 rubles before the War; in other words, approximately 7 per cent of the internal trade in articles of general consumption was then passing through coöperative channels.

The outstanding fact of this period of national expansion was that the leadership now belonged to the peasant. The agricultural and credit coöperatives were naturally rural in their membership and interests. But the consumers' societies also, in which the rural group was represented to the extent of only 18 per cent in 1897, were now chiefly found in the country—57 per cent of all existing societies in 1908, and 72 per cent in 1913.

The astonishing growth of the consumers' societies in this period could only be realized when compared with the period preceding it. From 1865 to 1905, inclusive, a period of forty-one years, only 2,028 charters were officially confirmed; in the following seven years, the number of consumers' societies authorized by the Government was 6,327. Everywhere the consumers' coöperative stores tended to bring down the cost of living. An investigation of 160 consumers' societies made in 1910, in the province of Kiev, disclosed the fact that they depressed local retail prices by 5, 10, and 25 per cent for various articles. Similar results were achieved in the provinces of Novgorod, Perm, Vladimir, Olonets, etc.<sup>25</sup> The same period marked an important revival in agricultural societies, producers' coöperatives, and industrial artels, especially in the production of butter and cheese, tar and turpentine, flax and hemp. Many of the coöperative societies carried on extensive educational work, establishing libraries, reading rooms, providing for lectures, scientific excursions, organizing musical and literary entertainments, supporting schools, children's playgrounds, and village amateur theatricals.

There are no adequate statistics on the financial strength of the combined coöperative societies before the War. It has been estimated that about August, 1914, the total paid-in capital was between 200,000,000 and 300,000,000 rubles, and that three times that amount constituted their working capital, chiefly in the form of deposits and loans.<sup>26</sup>

Simultaneously with the rapid development of coöperation in all its forms, there was a growing tendency toward unification. For a

<sup>25</sup> Prokopovich, *loc. cit.*, p. 261; *Severnya Zapiski*, June, 1916, p. 175; Frommett, *loc. cit.*, p. 13.

<sup>26</sup> Orlov, *loc. cit.*, pp. 5-6.

long time the demand to federate into large bodies met with difficulties of a legal and administrative character; it required a long and complicated process before the sanction of the Government could be obtained to form a union of coöperative societies. The consequence was that the number of informal, unauthorized unions working without special legal authority far outran those which were regularly constituted. It was only in 1908 that the first national coöperative congress met in Moscow, a gathering hardly conceivable before the Revolution. Representatives of 398 individual organizations, numbering eight hundred delegates, convened from all the ends of Russia, sent by 194 consumers' societies, 155 credit and loan and savings associations, 50 agricultural societies, 23 producers' associations, and 5 "mixed" organizations.<sup>27</sup> The main problems before the congress were questions of the theory and practice of coöperation, coöperative legislation, and the right to organize into unions and federations. At the time of the second national congress, held in Kiev, in 1913, the need of a coöperative code of legislation was again brought forward as one of utmost importance. Step by step the movement had won the right of combination. The Moscow Union of Consumers' Societies was established in 1898, and in 1901 the first union of credit societies was formed at Berdyansk. In the four years, between 1908 and 1911, nearly one hundred local conventions of credit coöperation took place, the demand for unions resounding at every meeting. The Moscow Narodny (People's) Bank was organized in 1912, a national institution for coöperative credit. Other unions followed, notably the Union of Siberian Creamery Associations representing producers' societies. The number of legalized unions increased from two in 1906 to 68, in 1915.

#### *Growth during War Years.*

It was during the War period that the coöperative movement made its greatest gains, adapting itself to serve the needs of the population in the remotest corners of the country. The following figures tell briefly and effectively the growth of the coöperative movement from January, 1915, to January, 1918.<sup>28</sup>

<sup>27</sup> A. Posnikov, *The Fiftieth Anniversary of Our Coöperative Organizations*, in *Vestnik Evropy*, December, 1915, p. 402.

<sup>28</sup> See p. 14, n. 23, for sources of information.

<i>Types of Coöperation</i>	<i>January 1, 1915</i>	<i>January 1, 1918</i>
Credit coöperatives	14,500	16,500
Consumers' societies	11,000	25,000
Agricultural societies	5,000	6,000
Agricultural associations	1,800	2,400
Producers' associations	3,300	4,500

This table shows at a glance the unusual rate of increase in the consumers' group, which had now taken precedence over the credit coöperatives. While the total increase in the three war years for all groups was 60 per cent, the credit coöperatives increased by only 15 per cent, and the consumers' societies by 130 per cent. Comparing the relative strength of these two forms of coöperation in 1915 and 1918, respectively, we see that the credit coöperatives decreased from 41 to 30 per cent, and the consumers' societies improved their position in the coöperative movement by rising from 31 to 46 per cent. The increase in agricultural and producers' coöperatives was only another phase of the struggle against economic ruin in the villages, since they were chiefly organized for the purchase of agricultural implements and machinery, fertilizers, seeds, etc. The growth of the peasant handicraft associations in this period is chiefly accounted for by the War orders for butter, harness, boots, caps, coats, cloth, etc., as well as the general shortage of factory-made goods. There was hardly a village over the vast territories of Russia and Siberia which did not possess a coöperative society. The following illustration fully depicts the importance which the population attached to coöperation in their struggle against middlemen and speculation: On January 1, 1914, the Chelyabinsk district in Siberia having a population of 600,000 (nearly 700 settlements with 95,000 households) was served by only twelve coöperative societies, but on May 1, 1918, their number rose to 374.<sup>29</sup>

The consumers' organizations showed also the largest gains in membership, which rose from 1,650,000 to about 11,550,000 in three years, exceeding the credit coöperatives in numerical strength. The annual turnover of the consumers' societies rose from 290,000,000 rubles in 1914 to 5,845,000,000 current rubles in 1917.<sup>30</sup> The credit coöperatives rose in membership from 8,261,000 in 1913 to 10,478,000 in 1917; their operating funds increased to 983,000,000

<sup>29</sup> *The Russian Coöperator*, May, 1919, p. 68.

<sup>30</sup> *Soyus Potrebitel'ei*, Nos. 8-9, 1922, p. 18.



rubles on January 1, 1917. It has been estimated that the credit and consumers' organizations included in their membership one-third of the population, and that their aggregate business turnover in 1917 was about ten billion rubles.<sup>31</sup>

The war period had stimulated the trend to unification among all coöperative institutions, notwithstanding their unsatisfactory legal status and the hostility of the Government. In the year 1915 there appeared 119 new unions, and 179 in the following year, chiefly in the fields of consumers' and credit coöperation. Their numbers, however, were much larger, for not all of them were incorporated or registered; many were limited in their operations to a small membership of primary coöperatives, but there were also unions of a regional type. The movement was as planless as it was spontaneous, in answer to a real economic need compelling the coöperatives to combine their forces in the defense of common interests. The Council of All-Russian Coöperative Congresses had estimated the total number of coöperative unions and federations at 662 in October, 1917, and at 930 at the end of 1918.

#### *Supply Activities in the War.*

Almost from the outset of the War the Government found itself compelled, in dealing with the problem of supply, to enlist the coöperation of the zemstvos and of municipal bodies. The latter, having no business organizations of their own, utilized in many instances the machinery of the coöperative societies which already enjoyed the confidence of the masses for their unselfish work against speculation and profiteering. They appealed to the population to join the ranks of the coöperative societies, and in their turn offered to aid the societies with supplies, credits, warehouses, invited their leaders to join their food control committees, or entered into agreements with them for the opening of new branches and auxiliary shops. The municipal authorities not only agreed to refrain from opening their own stores but often engaged themselves to finance the new coöperative stores and to supply them with goods from municipal stocks; as in Ekaterinodar, for instance. In Petrograd the municipal authorities extended large credits to the coöperative wholesale societies and commissioned them to buy food and other necessities for the population. The towns of Minussinsk and Kansk, in Siberia, became directly

<sup>31</sup> *Sibirskaya Kooperatsya*, January, 1919, p. 25.

shareholders in local consumers' societies; the Kansk administration turned over to them the government loans received for the purchase of food. Omsk and Astrakhan offered premises free of rent. Everywhere, in nearly all towns of European Russia and Siberia, the co-operative societies were the principal distributive agencies for sugar, flour, oil, and other commodities placed on the card system, receiving their goods from the zemstvos or purchasing them independently.<sup>32</sup> The Moscow Union of Consumers' Societies undertook to execute orders for the needs of sanitary organizations, hospitals, and municipal corporations.

In the rural communities the shortage of labor as a result of mobilization was an acute problem since the beginning of the War. The effect of this labor drainage after two years of war was reflected in the rise of labor costs of almost 300 per cent above the pre-war level. In 1916 the peasant women shouldered the burden of cultivating the fields. In twenty-seven provinces there were 13,200,000 women workers to 8,400,000 men; in other words, the number of women exceeded that of men workers by 57 per cent.<sup>33</sup> In 1917 the labor of the women did not suffice. The coöperative organizations came to the relief of the needy peasant households. In many districts they saved the fields from remaining untilled by timely aid with seeds, fertilizer, implements, and credit; often with outright gifts of seed to the families of those wounded or killed in the War. They purchased agricultural machinery and implements for co-operative use, and organized coöperative leasing and cultivation of land in order to forestall a shortage of labor in the future.<sup>34</sup> They also sought to introduce new methods in agriculture, in order to save the farms from serious impairment and decay.

The efficiency and public-mindedness of the coöperative organizations, by contrast with the speculative activities of private enterprise, did not fail to impress the various public bodies charged with the supply of the population and the army.<sup>35</sup> Even in the early days of

<sup>32</sup> A. S. Irisov, *Kooperatsya i tekushchi moment* (Coöperation and Present Needs), Moscow, 1917, p. 18.

<sup>33</sup> *The Russian Coöperator*, April, 1917, p. 81.

<sup>34</sup> A. S. Orlov, *loc. cit.*, pp. 64-65.

<sup>35</sup> A. S. Orlov, *loc. cit.*, p. 57, cites the case of the Verkhni-Dnieper districts where the coöperative purchasing organizations by paying 0.77 rubles per pud of rye, compelled the private buyers to adhere to the same price; but

the War, from August to October, 1914, the work of the coöperatives in grain operations for the army amounted to nearly one-fifth of the total stored in that short period.<sup>36</sup> Only the lack of equipment, of an expert personnel, and of experience in the grain trade kept them from undertaking still larger operations in grain. They were not at first prepared for this kind of trade, and, besides, the field was already monopolized by army supply commissioners and private concerns. But by the season of 1915-1916 the coöperative organizations had adapted themselves to the new requirements. During the year 1915 they supplied the army with 30 per cent of its grain. Individual provinces supplied large quantities of grain through the medium of the coöperatives, Kuban supplying 48,000 tons, Kherson 32,000 tons, Don 30,000 tons, Perm 32,000 tons, etc.<sup>37</sup> In some provinces their work was especially extensive, as in Tambov, where the coöperatives supplied one-half of the oats and one-third of the cereal grains and flour required by the army during the five months from September, 1915, to January, 1916.<sup>38</sup> According to the incomplete data available, the coöperative organizations, principally the credit unions, supplied the army during the season of 1915-1916 with about 50,000,000 puds<sup>39</sup> or 834,000 tons of agricultural products.<sup>40</sup> In the same season the peasants' coöperatives of Astrakhan province supplied immense quantities of fish. In other products, such as meat, fats, and vegetables, the work of the coöperatives was at first insignificant, but gradually these operations increased. The record of the Union of Siberian Creamery Associations is particularly illuminating. In 1915 it supplied the army with 983,441 puds of butter, and the amounts supplied during 1916 increased to 2,942,307 puds. Similarly, they came to supply ever greater amounts of cheese, hay, leather, tallow, pork, meat.

Such activities were beyond the capacity and the business equipment of coöperation before the War, but now they even ventured far afield. The Moscow Narodny Bank made the first large sale of flax direct to London, and during the War it continued to be one of the when the coöperatives withdrew, the dealers forced the price down to 0.50 rubles per pud.

<sup>36</sup> *Vestnik Kooperatsii (The Messenger of Coöperation)*, No. 8, 1914.

<sup>37</sup> *The Russian Coöperator*, December, 1916, p. 7.

<sup>38</sup> *Irisov, loc. cit.*, p. 16.

<sup>39</sup> One metric ton = 61 puds.

<sup>40</sup> *The Russian Coöperator*, May, 1917, p. 100 (grains, 41,427,544 puds; flour, 2,488,798 puds; hay, 5,734,684 puds; and buckwheat, 272,663 puds).



main channels for importation into Russia of seeds, insecticides, fungicides, binder twine, and other agricultural requirements. It established an office in London, which in addition to its purchasing activities carried on a regular banking business. The Moscow Union of Consumers' Societies, renamed in 1917 as the *Centrosoyus*; soon followed the lead of the coöperative bank, and entered the foreign field in the interests of its thousands of member societies. In 1916 it imported about 40 per cent of all the herrings brought into Russia. In the first six months of 1917 it arranged from its central offices in Moscow for the importation from London of large quantities of rice, coffee, cocoa, pepper, spices, textiles; it also opened an agency in London.

The conditions of the War and the shortage of manufactured articles in the country also supplied the stimulus for producers' co-operation, although their activities were naturally limited by the lack of capital and equipment. The *zemstvos* were the first to undertake to organize the marketing of the products of cottage or *kustar* manufacture, but they soon turned to the coöperatives and left it to them to carry out the actual work of distribution and collection among the cottage artisans (tailors, boot-makers, cap-makers, etc.) working for the needs of the army. The *Centrosoyus* was especially successful in organizing on a large scale the preparation of shirts and underwear through the agency of its members which distributed the cloth and brought in the finished product; by January, 1915, the monthly output amounted to 1,500,000 pieces of underwear and shirts.<sup>41</sup> It also organized the household manufacture of boots, overcoats, trousers, coats, hats, etc. Many independent unions of producers' coöperative associations appeared now for the first time. At Barovich-Valdai the glove and woolen *kustar* workers organized a union which marketed their output. In the northern provinces of Vologda and Archangel thirty-two industrial tar associations formed a union in October, 1914, with a capital stock of 20,000 rubles, and at once ventured into the foreign market, shipping tar and turpentine products to England.<sup>42</sup> In Siberia, the Union of Creamery Associations carried its enterprise into new industrial fields, establishing a tannery, mills for the manufacture of cloth, printing materials, etc.

Brief as these facts and figures are, they illustrate sufficiently the

<sup>41</sup> Orlov, *loc. cit.*, p. 60.

<sup>42</sup> *Ibid.*, pp. 52-53.

development and the extreme adaptability with which the Russian coöperatives met the problem of supply and distribution on a large scale. They ventured where private capital dared not, notwithstanding their previous inexperience, the lack of tonnage, the closing of the ports, and the general disorganization of the market. Already in the course of 1916 private enterprise was voluntarily going into liquidation, and in its place there appeared an army of "underground" petty speculators and peddlers. The coöperative movement, representing a compact organization of thousands of self-governing economic units interlaced in district and regional unions, and served by practical experts, statisticians, engineers, and economists, seemed the only assembling and distributing agency of a public character remaining in the open—at a time of universal disintegration and imminent economic catastrophe. The leaders of the movement became conscious of their power; they felt that should the Government permit them in the future to work without hindrance, they would free producers and consumers, in country and city, from their subjection to speculative middlemen, and bring Russian agriculture in particular into a closer economic contact with the national and international markets.

The Government was slow in recognizing the economic or social significance of the movement for Russia. Almost at the outbreak of the War, the joint conference of the Committee on Rural Associations and of the representatives of coöperation, at Moscow, passed resolutions to petition the Government in favor of the removal of all legal restraints in the way of the normal functioning and development of coöperative organizations. The conference pointed out the urgent social need of coördinating the work of distribution and supply, asking for the right to organize in coöperative federations in order to strengthen their ability to combat high prices and speculation.<sup>43</sup> The appeal went unnoticed. On the contrary, the Government continued to interfere with the work of the coöperative organizations, and expressly prohibited all future congresses. The Minister of the Interior, A. N. Khvostov, suppressed the Central Coöperative Committee as soon as it was set up.<sup>44</sup>

However, in the spring of 1915 the Council of Ministers at the recommendation of the Minister of Finance, in recognition of the

<sup>43</sup> *Sovremenny Mir*, October, 1915, pp. 116-117.

<sup>44</sup> *The Russian Coöperator*, July, 1917, p. 124.

splendid work done by the credit coöperatives in the matter of food supply for the army and civilian population, granted a legal status to seventeen credit unions, out of sixty-seven petitions.<sup>45</sup> This was really the beginning of a more liberal attitude on the part of the authorities. Similarly, in 1915, members of the state Duma, moved by a sense of public recognition of the work that was being unselfishly performed by coöperative organizations of all kinds, gave their support to the enactment of a code of uniform coöperative legislation, prepared by the legislative committee of the All-Russian Coöperative Congress. As noted above, there was general discontent in coöperative circles for over a decade because of the absence of a uniform coöperative law and procedure, centering around the contention that the Government had subjected the movement to special administrative acts and official surveillance, dividing and checking the normal development of coöperation. The bill was popular, receiving the active support of seventy-five members of the Duma of all parties. The Minister of Commerce and Industry, who had under his consideration a different bill with clauses providing for the regulation of the several forms of coöperation separately and for certain forms of government supervision, was also finally induced to speak in favor of the uniform coöperative bill.

The bill concerning coöperative societies of all kinds and their unions passed in the Duma in January, 1916. It abolished all the existing restrictions and granted the legal right to organize by a simple act of registration with a district court tribunal; it further granted the rights of free association in unions, of meeting in national congresses, and of carrying on the work of education and propaganda. The bill then remained for more than one year in a special committee of the Council of Ministers. To the members of that body the bill appeared as altogether too great a concession to democratic demands. In higher circles the coöperative movement was watched with grave misgivings and apprehension. It was an efficient coördinated economic power of the masses, unlike anything else in the business life of the country; it was even necessary to the state, with its thousands of distributive societies and organized marketing associations; but it was deeply democratic and even socialistic in its membership and leadership. The last year of the old régime was a

<sup>45</sup> *Vestnik Melkago Kredita* (*The Messenger of Small Credit*), No. 5, 1917.



difficult one for the movement. Its outspoken critical press was censored, its papers confiscated, its meetings forbidden. A. D. Protopopov, Minister of the Interior, declared that he would tolerate no more coöperative unions as it did not suit the interests of the Government. The committee of the Council of Ministers while favoring a change in the direction of freedom of organization and simple registration, introduced amendments of a fundamental challenging character directed against the principles of unity and independence; its amendments excluded from the operation of the act a number of important coöperative organizations, such as the credit associations and the land-purchase associations; it retained the principle of registration with various administrative government departments, and restored the old principle of official control and tutelage. Needless to say that in its revised form the bill was not acceptable to the Duma or to the coöperative leaders.

The Council of Ministers never had the second opportunity to consider the coöperative bill with its amendments as it emerged from the conferences of its committee. With the abdication of the Emperor, the Council of Ministers ceased to exist. One of the first acts of the Provisional Government was to enact into law the original coöperative code by a decree of March 20, less than three weeks after the fall of the old régime, and it went into effect on May 1, 1917.

#### *The Coöperative Code of 1917.*

The early enactment of the coöperative law by the Provisional Government was no small testimony to the nation-wide economic significance of the coöperative movement. It was soon followed, on June 21, by a second act governing registration, and on August 1 of the same year a third act was passed relating to educational activities, propaganda, and congresses of coöperative organizations, endowing the Council of All-Russian Coöperative Congresses with political recognition and wide social functions. At one bold stroke the new legislation swept away the old custom of petition, official sanction, and special authorization. The law was general and uniform for all coöperative forms without distinction. It gave recognition to the close union of commercial and social welfare activities in coöperative affairs, and accorded full freedom of internal self-government and management, granting to the unions the right of guidance, control, and supervision over their affiliated membership.

The new law defined a coöperative society in full conformity with the substance and spirit of the actual movement, as a voluntary association of individuals seeking to promote their material and moral welfare by means of the collective organization of various economic enterprises or of the labor of its members. In accordance with this legal definition, but one code was made to embrace every form of coöperative effort—production, consumption, purchase and sale, transport, storage, construction, insurance, the collective use of machinery, the collective acquisition and use of land, simple labor associations; giving to all coöperative forms, whether individual or federated, the widest scope for free activity and development. By the simple act of registration, and the filing of the by-laws in a district court, the societies and their unions became endowed with legal personality before the law, as corporate bodies with the right to acquire, hold, and sell all forms of property and real estate, to enter into agreements, undertake obligations, etc. Coöperative societies and unions could also be formed by contract agreements, without registration, but in the latter case they were not accorded the status of corporate bodies. Seven signatures were sufficient to form a coöperative association or society, and the elected representatives of three or more primary coöperatives could form a coöperative union.

For the purpose of registration the Act created special sections at the district courts, requiring a deposit of three printed or written copies of the by-laws with the application. The district court was bound to place the new society on the registry within a month, and if not so registered within that period, the society acquired a legal status automatically. An appeal could be taken from the district court to the higher court in case of technical or legal objections to the rules by the lower court. In this manner the coöperative organizations were removed from the sphere of personal administrative authority and arbitrariness. The part played by the district court was purely formal, and no registry could be suspended or canceled except through the channels of legal procedure.

Where the rules of the societies provided for the formation of a trading capital, the law specified the creation of a reserve fund by annual deductions from the net profits of not less than 20 per cent; it also decreed that the dividend on shares should not exceed 8 per cent. The liability of the constituted members for the obligations of their society could be limited either by the paid-in shares or by some

other fixed amount determined in advance by the by-laws. In case of unlimited liability, the members were held responsible to the full extent of their personal assets. No person could then be a member of two or more societies with unlimited liability at the same time. But whether limited or unlimited, the liability of the members did not extend to the share capital of the society; only that part of the net profits set aside for distribution as dividends could be seized by their creditors, private or public. No transfer of shares was allowed, and the withdrawal of a member from the society was permitted on notice in writing, the right to retire being implicit in the general freedom of voluntary association.

The management of the affairs of the coöperative societies and unions was exercised, first, through the general meeting of members, or of their authorized representatives in case of unions or of societies with more than three hundred members; second, through the elected board of directors; and finally, the council, which was optional except for credit societies. Besides, the general meeting of members appointed a revision committee with powers of examination and control.

## CHAPTER II

### CONSUMERS' SOCIETIES BEFORE THE WAR

#### *Types of Consumers' Societies.*

THE number of existing consumers' societies in Russia at the beginning of 1914 was estimated at 10,080, with a total membership of 1,400,000. The societies were of various classes, by far the greatest number falling to the share of the rural or peasant societies.

The statistical information relating to consumers' societies before the revolution of 1905-1906 is inadequate. Only the dates on which they were officially registered are known, not the time of their commencing or going out of business. The Petrograd Branch of the Committee on Rural Loan and Savings and Trades Associations maintained a complete list of registered societies, which included also the consumers' stores opened in connection with creameries, credit coöperatives, and agricultural societies. On the other hand, the practice of the statistical division of the Moscow Union of Consumers' Societies, later known as the *Centrosoyus*, was to leave out of account the stores operated as a secondary enterprise by coöperatives primarily constituted for different purposes.<sup>1</sup> In the eight years prior to the War neither of the two central organizations was successful in maintaining an absolutely correct list of new societies, so large was the number of newcomers, with the result that their lists were at variance. The discrepancies were mainly due to the statistical methods employed and the deficiencies of local reporting.

Three main groups of societies were generally distinguished. The first was that of general urban societies with membership open to all classes. The second group included the rural societies, as well as some of a semi-rural character with a membership consisting chiefly of peasants. The third group, known as labor consumers' societies, embraced three subdivisions,—“company” or dependent consumers' societies attached to factories and mines, societies formed by railway employees, and the so-called independent labor societies. The stores

<sup>1</sup> For the respective years 1897, 1903, and 1905 the Petrograd Branch gave 351, 875, and 1,179 consumers' societies, according to its list as of January, 1913. For the same three periods, the *Centrosoyus* accounted for 307, 801, and 951 societies.



in which membership was open to certain special classes only, such as those of civil servants and of army officers of the lower ranks, are here ignored because of their slight importance both in numbers and in social consequence.

The information of the Petrograd Branch offers the only available source for a study of the trend of consumers' coöperation by years and periods, notwithstanding the usual inaccuracies of including stores operated by agricultural and producers' coöperatives. According to its published "List of Consumers' Societies in Russia on January 1, 1912," the number founded in the period from 1865 to 1905 was 1,580, of which 1,132 were in operation on January 1, 1906. The following table presents at a glance the number of societies of the three principal classes organized in every five-year period since 1866, the number in operation on January 1, 1906, and the ratio of survival for each group and period.

*The Trend of Consumers' Coöperation by Periods and Groups.*<sup>2</sup>

Period	Total all classes			Urban societies			Rural societies			Labor societies		
	Chartered	January 1, 1906	Percentage	Chartered	January 1, 1906	Percentage	Chartered	January 1, 1906	Percentage	Chartered	January 1, 1906	Percentage
1865	3	—	—	3	—	—	—	—	—	—	—	—
1866-1870	68	7	10.3	62	4	6.5	1	—	—	5	3	60.0
1871-1875	20	6	30.0	8	1	12.5	2	—	—	10	5	50.0
1876-1880	26	12	46.2	6	1	16.7	3	—	—	16	10	62.5
1881-1885	48	22	45.8	14	2	14.3	6	2	33.3	25	18	72.0
1886-1890	70	42	60.0	19	6	31.6	7	4	57.1	39	30	76.9
1891-1895	224	123	54.9	81	27	33.3	42	24	57.1	65	50	76.9
1896-1900	376	264	70.2	134	85	63.4	118	82	69.5	91	74	81.3
1901-1905	668	600	89.8	127	108	85.0	445	409	91.9	69	61	88.4
Unknown	77	49	—	24	13	—	29	24	—	14	10	—
	1,580	1,132	71.6	478	247	51.7	653	545	83.5	334	261	78.1

A cursory examination of this table shows convincingly the intimate relation between consumers' coöperation and the rising power of capitalistic economy at the end of the nineteenth century—with its industrial centers, national markets, and the narrowing self-sufficiency of the village. In the fifteen years, 1891 to 1905, there were

<sup>2</sup> S. N. Prokopovich, *loc. cit.*, pp. 261, 285, 287, 292, 306. The total number of chartered societies of civil servants and of officers was 115, of which 79 existed on January 1, 1906.

1,268 consumers' societies registered as compared with 235 in the preceding twenty-six years; in other words, the average annual increase was more than nine times as large. Moreover, the percentage of survival was considerably larger. Only 89, or 38 per cent of the societies of the period before 1891 were in existence on January 1, 1906; of those organized after 1891, the number remaining in operation was 1,036, or nearly 82 per cent.

The beginning of the consumers' coöperative movement was largely confined to a narrow circle of townspeople of the professional and middle classes, and the initiative in nearly all cases belonged to educated men, representatives of the zemstvos, local marshals of the nobility, justices of peace, etc. It did not originate with the working or peasant classes in self-defense against economic want and exploitation. The first officially registered consumers' society was founded among the German artisans of Riga in 1865. In the same year consumers' societies were organized in Reval and in Dorpat, likewise in the Baltic provinces. The movement then spread to St. Petersburg, Moscow, Kharkov, Kiev, until most of the important cities as far as Astrakhan on the Caspian Sea had consumers' societies before the end of the 'sixties. The great majority of these societies passed away in the same decade. The idea of coöperation was at that time viewed as a charitable enterprise, depending for its support on the benevolence of the better classes. Naturally, when the first enthusiasm had spent its force, the urban movement entered on a period of inactivity and dissolution. Only four out of the sixty-five urban societies chartered before 1871 were in existence at the beginning of 1906. Their failure was due to the general apathy of the members, their lack of interest in coöperation, the impractical business arrangements, and inefficient management. As a rule, the shares were too high,—25 to 50 rubles,—and the working classes were in many instances excluded from participation. Furthermore, many of the early societies were organized not for dealing in goods of prime necessity, but for the joint importation of articles of luxury from abroad. In the twenty years from 1871 to 1890 only 47 new urban societies were chartered, and of these only 10 were in existence by January, 1906. About 1895 this group of societies came to the fore of the movement again, but under the leadership of the urban industrial masses; thus of the total number of 376 societies chartered



in the period from 1896 to 1900, the urban group was credited with 134, of which nearly two-thirds survived.

After the first wave of coöperative interest in the 'sixties, which was so predominantly urban and of the middle class in membership, the consumers' movement was for long in a period of decline. In the course of fifteen years, 1871 to 1885, the number of new societies was only 94; of these, 51 were organized by railway and factory workers, in response to pressing daily needs. Taking the whole period of forty years under our consideration, it is found that the labor group of consumers' societies developed in a consistent manner, showing a high rate of business stability. Of the 334 labor societies founded before 1906, 78 per cent remained in operation. The high peak of their development occurred in the last five years of the nineteenth century, when 91 new societies were registered.

The labor consumers' societies originated in the small factory and mining settlements of Perm province, in the Ural Mountain region. The long distances and the poor state of communication with the city markets often left these settlements isolated for six months in the year, and at the mercy of private dealers and merchants who sold goods of inferior quality at exorbitant prices. There was even an actual scarcity of goods of daily necessity.<sup>3</sup> Here it was that the workmen of the Kynov workshops first organized a consumers' society, on the principle of "dividend on custom." Its beginnings were informal. In 1864 the society purchased a whole year's supply of tea direct from Moscow. Then it made other purchases and finally in 1867 opened a store with an assortment of goods bought at the Nizhni-Novgorod fair and from wholesalers at Kungur. Three years later the society was formally organized. The by-laws were enacted, which fixed the price of the shares at 25 rubles and the selling margin above cost at 10 to 15 per cent, and provided for the distribution of the net profits in proportion to purchases and capital invested.<sup>4</sup> The example of the Kynov workmen was followed by similar experiments in other industrial settlements; thus at the Syssert Works the men opened a store in 1871, fixing the share at only 5 rubles, and so

<sup>3</sup> *Sbornik Materialov: Potrebitel'nyia Obshchestva* (Documentary Materials: Consumers' Societies), St. Petersburg, 1875, Part III, pp. 308, 311-312; I. Ozerov, *Obshchestva Potrebitel'ei* (Consumers' Societies), St. Petersburg, 1900, p. 236.

<sup>4</sup> K. Pazhitnov, *loc. cit.*, in *Sovremenny Mir*, October, 1915, pp. 106-107.

successful was their enterprise that two years later they were already running a bakery, a shoemaking shop, and a canteen, on coöperative principles.<sup>5</sup>

About the same time, consumers' societies began to be founded by workers in large industrial centers as well. In 1871, 74 machinists and laborers employed in the Alexandrov Metallurgical Plant, in Petrograd, organized a common store and bakery, with an initial capital of 3,011 rubles, under the name of *Obshchaya Polza* (*Social Benefit*). In its first year the society realized a profit of 11.5 per cent on its turnover. The share was fixed at twenty-five rubles, without limit as to the number of shares to be held by any individual, while members holding less than a share were deprived of their vote and other rights in the organization. This labor society followed the unsound precedent established by some of the urban societies whose example for a time deflected the new organizations from the principles of true coöperation.

In most instances the labor consumers' societies were dependent upon the management of the factories in various ways. For instance, the society founded by the men employed in the Nevski Metallurgical Works, in Petrograd, was subsidized by the management, the advance granted by the latter having amounted to 20,000 rubles repayable in fifteen years. The affairs of the store soon fell into the hands of the resident factory manager, who also had a store of his own nearby, and after a time the society refused to admit new members.<sup>6</sup>

A typical "company" labor society under the surveillance of the factory administration was the consumers' society of the Sormovo Machine Shops, at Nizhni-Novgorod. It was formed in 1891, each member paying an entrance fee of one ruble and taking up a share of ten rubles payable in small monthly instalments of one ruble. The company paid wages but once a month, resorting to scrip food cards which constituted an order for credit to the coöperative store. Under the pressure of some ready cash for household needs the workers were often compelled to purchase goods on credit and re-sell them on the outside, at a loss to themselves. The financial management of this factory-controlled society may be seen from the statement of January, 1897. It had at that time a membership of 2,881, a share capital of

<sup>5</sup> *Ibid.*, p. 107.

<sup>6</sup> *Ibid.*, p. 107.

68,800 rubles, and a reserve capital of 4,279 rubles. The gross sales during 1896 amounted to 1,006,000 rubles, and the net profit was 63,000 rubles, of which 31 per cent was distributed on shares, 11 per cent on members' trade, 2 per cent on non-members' trade, etc.; only 5 per cent was placed in the reserve fund. The practice was non-co-operative and the management was not democratic in character. For years the company's obligations to the society stood around the sum of 500,000 rubles, on which it paid no interest; on January 1, 1900, the debt was reduced to 396,000 rubles. At the outbreak of the revolution in 1905, the workers, after a strike, won the right of weekly wages in money and the discontinuance of scrip food cards.<sup>7</sup>

There were also cases of labor societies managed on purely co-operative principles and struggling against the interdictions of those in industrial or political authority. The history of the "Thrift" consumers' society at the Petrograd Arsenal is especially illuminating as an instance of coöperative idealism. The society was started by a small group of twenty-seven clerks and skilled workers purchasing goods in common at a discount and dividing them among themselves. The ministerial permission to open a store was granted to them in 1886. It was their purpose then to offer the advantages of joint purchasing to the poor unskilled laborers as well, but the Minister of War intervened and struck out the clause admitting the common laborers to membership. Yet the society had managed to circumvent the autocratic decision by permitting laborers to trade at the store on equal terms without membership; and in order to let them participate in the common savings on purchases it limited the interest on share capital to 6 per cent, paying no other dividends, and sold its goods at the lowest prices consistent with safety. The society assigned seven-tenths of the net income to the corporate operating fund and to bonuses for the employees of the store, 15 per cent to the reserve fund, and 15 per cent for friendly aid in cases of death, sickness, or disability to the poorer members and non-members alike. Each of the twenty-seven associated members had an opportunity, through a system of rotation in office, to familiarize himself with the practical affairs of the store, market conditions, and financial accounts. The society aimed to build solidly on the loyalty and enlightenment of its members. At the time of its registration in 1886 "Thrift" had a

<sup>7</sup> *Narodnoie Khozyaistvo* (*National Economy*), May, 1902, pp. 81-85; Prokopovich, *loc. cit.*, p. 333.



share capital of 220 rubles. On January 1, 1894, its share capital was only 293 rubles, but it possessed a working capital of 9,902 rubles, exclusive of investments in real estate and other property, and a reserve fund of 4,264 rubles. Its turnover during 1893 was 109,895 rubles, of which nearly two-thirds consisted of sales on credit for the account of the common laborers.<sup>8</sup> Limited as this society was in its membership, it displayed a remarkable spirit of good will and unselfishness in reaching out to the common laborers of the Arsenal, and introducing in effect the Rochdale principles in a roundabout way. Later it utilized its accumulated funds for the establishment of a canteen, a reading room, low-priced lodgings, and for the support of educational and humanitarian activities.

It may be said, on the whole, that the company labor societies, notwithstanding the prevalence of non-coöperative practices and the influence of the factory management, were organized by the efforts of the workers themselves for their mutual benefit as consumers, and not because of a social fad. The unitary character of the early factory system in Russia with its living barracks and company stores, when the working class was being differentiated and trained in factory work, naturally thwarted the development of coöperative enterprise. It was a period of groping and trial in coöperation; the environment was hostile to a system of voluntary democratic consumers' coöperation. It was by bitter experience that the Russian workers gradually found their way to Rochdale principles of coöperation, and freed themselves from the example set by the general town stores of the 'sixties. Not all of them began with stores of their own. Some were at first organized in the manner of the Kynov society, in an informal way, in order to benefit through the discount on common purchases made in bulk. Such was the history of the Petrograd "Thrift," the Moscow "Mutual Benefit," and of societies in Kazan, Orel, Irkutsk, Derpt, and other cities. By comparison with the general urban societies they were more coöperative in spirit, more permanent in character, indispensable, serviceable.

At the beginning of 1914, the great majority of the labor consumers' societies (522 out of 681) still belonged to the type of "company" societies, dependent on the employers whether or not they had been started with a grant of credit from them. They were ever subject to arbitrary influence and interference. The workers who advo-

<sup>8</sup> Ozerov, *loc. cit.*, pp. 222-225, 271.



cated a system of consumers' coöperation on an independent footing were not infrequently singled out for persecution or dismissal; the most needy workers were often excluded, and the business of the society was likely to come under the domination of a small group of large shareholders. Their dependence was especially prejudicial in periods of unemployment, or strikes, or in cases of physical disability of any member. In 1905, at the time of an extensive strike at the Putilov Works in St. Petersburg, the management let it be known that "no credit will be extended at the consumers' stores for the duration of the strike."<sup>9</sup>

The independent labor consumers' societies were few in number. The returns of the Moscow Union of Consumers' Societies showed only five such organizations in existence in 1901, and the total at the beginning of 1911 was forty-seven.<sup>10</sup> The first large independent labor society was the "Labor Union" of St. Petersburg, organized in August of 1906 with twenty-nine members. Its turbulent history foreshadowed the advent of the city proletariat in the coöperative movement. The industrial depression of that year and the great increase in the cost of living brought the workers to look to coöperation as a means of combating high prices and capitalism. The "Labor Union" fixed the members' share at a minimum of one-half ruble in order to make it possible for the poorest to join. The membership swelled with every passing day, and in less than nine months, on May 1, 1907, the "Labor Union" had a membership roll of 3,025 workers who had contributed a capital of 25,539 rubles. The society had a chain of eight stores, and a bakery.<sup>11</sup> The bakery was a model and up-to-date establishment—clean, airy, spacious, in contrast to the small and dingy private bakeshops of Petrograd. By October, 1907, the number of stores increased to sixteen, and the membership to 8,414.<sup>12</sup> So widespread was the movement, and so slow was the work of the governor in licensing new stores, that factory workers hit upon the plan of trading at the society as neighborhood groups, dividing the common purchases among themselves. The "Labor Union" was a central link in a chain of autonomous neighborhood stores, each controlled by a council, and independent as to capital, membership, and

<sup>9</sup> Prokopovich, *loc. cit.*, p. 331.

<sup>10</sup> *Ibid.*, p. 343.

<sup>11</sup> M. Bragin, *The Coöperative Movement in St. Petersburg*, in *Sovremenny Mir*, June, 1907, pp. 20-21.

<sup>12</sup> Prokopovich, *loc. cit.*, p. 338.

management. The bakery was also autonomous. The coöperative spirit was only nominal at first. The stores were selling their goods from 15 to 30 per cent below the market prices, believing that this policy would depress the general level of prices in the city. No sooner was that achieved than the membership began to fall away, impairing for a time the capital and credit of the organization. But the society survived and gradually strengthened its authority with the branch stores. A central council of delegates, one for every 100 members, laid down the general policies for the control and management of the society. This body limited the dividend on shares to one per cent, and a little later it decided to abolish all dividend payments on shares as contrary to the spirit of coöperation. The profits were distributed as follows: 10 per cent to the reserve fund, 25 per cent to members' trade, 25 per cent into a "friendly" fund for the benefit of the sick, the destitute, and the unemployed, and 40 per cent for productive expansion.<sup>13</sup>

Another large independent labor consumers' society was that of Enakiev, in the province of Ekaterinoslav, although it had among its 2,976 members, in 1912, a small sprinkling from other classes. It was formed in 1903, and from that time on it regularly paid for the support and education of fourteen children of its poorest members at the local commercial school. The society operated seven stores and two bakeries, sold good products at low prices, raised its own vegetables, and contributed lavishly to the work of coöperative propaganda. Lectures, the distribution of coöperative literature, musical and literary evenings, a children's playground, grants to schools, were among its charges and activities. The turnover for 1911 was 527,726 rubles, and it increased in 1915 to 1,487,327 rubles.<sup>14</sup>

Among the oldest and largest consumers' societies were those of the railway workers. Prominent among them was the society of the Trans-Baikal Railway workers which had on February 1, 1912, a membership of 19,030 and a share capital of 383,239 rubles. The society operated a chain of 21 stores along the railway line, and eight stores "on wheels" carrying goods for distribution at stations which had no permanent stores. The funds set aside for reserve, insurance, and property renewal amounted to 99,053 rubles. The turnover during 1911 was 2,688,052 rubles, and the net profit 69,133 rubles.

<sup>13</sup> M. Bragin, *loc. cit.*, in *Sovremenny Mir*, June, 1907, p. 22.

<sup>14</sup> *The Russian Coöperator*, September, 1918, p. 154.

Second in importance was the consumers' society of the Perm Railway workers, noted for its varied contributions to educational activities. The society counted 6,267 members on January 1, 1911, and, in addition, nearly 17,000 non-members patronized the twenty-one stores scattered along the railway line. For 1910, the fifteenth year of its existence, it had a turnover of 2,543,072 rubles and a net profit of 54,959 rubles.<sup>15</sup> The society possessed a library, the largest of its kind among primary coöperative societies, engaging the services of three librarians. Of the profits realized in 1910, it allocated 6,227 rubles to the library fund, and 2,500 rubles for the instruction of members' children. Every year the society gave of its profits to schools, peoples' clubs, for the publication of its own journal, and other educational activities among its members.

In the years immediately preceding the revolutionary movement of 1905-1906 the rural communities came forth as the foremost in the number of their consumers' societies. The first peasant store was opened in 1870 in Oshta, a village in the province of Olonets, but it soon went out of existence. For a long time consumers' societies in the villages were accidental in character, and as a rule organized by outsiders. This group was insignificant before 1891 when in the course of the preceding twenty-five years only 19 societies had been chartered. The economic self-sufficiency of the village and the prevalence of natural economy and barter offered no favorable ground for the consumers' stores; partly, the blame was ascribed to the general poverty and illiteracy of the rural population, and partly to the great lack of continued intelligent rural leadership. At the beginning of 1906, however, rural consumers' coöperation comprised 545 societies, or 48 per cent of the total. The early years of the twentieth century marked the beginning of a nation-wide period of coöperative development, under the leadership of the village. The history of the following two societies is characteristic of the rural consumer's movement. The Vysokovsk society, situated in a village in the province of St. Petersburg, was organized in 1912 with eleven peasant members, each contributing five rubles to the common enterprise. The local storekeeper who felt himself secure in his vested privilege as sole retailer, was amused to behold his new adversary. But the peasants were serious and active. They placed every idle ruble they had in the store's treasury, and in two years, the society counted sixty members

<sup>15</sup> *The Russian Coöperator*, September, 1918, p. 154.



with a share capital of 562 rubles, and 1,500 rubles on deposit.<sup>16</sup> It also acquired its own premises, which completed the ruin of the private storekeeper. Another illustration was Nikolsk, an out-of-the-way large village in the northern province of Vologda. On the initiative of the local school teacher, a consumers' society was formed in 1897. From the start credit on sales was limited to three-fourths of the amount of the shares held with the added provision that all accounts be settled on the first of each month. The society borrowed from its members in order to increase the working capital, paying 6 per cent on long-term deposits. At the end of the fiscal year, May, 1911, the society had a membership of 272 with a share capital of 9,033 rubles; it had a turnover of 65,840 rubles, and a net profit of 3,205 rubles. The store had done much for its women employees by shortening their hours of work and granting an annual leave of two weeks with pay (an uncommon thing in Russian business firms), and a bonus from the net profits as well. In 1911, 30.9 per cent of the profits was allotted to the reserve fund, 6 per cent for a dividend on shares, 5 per cent to the employees, etc. Members paying cash received a rebate of 4 per cent on their total purchases in addition.<sup>17</sup> The society owned its premises and other real estate, and was a member of the central federation, the Moscow Union of Consumers' Societies.

By way of a summary the table below presents the absolute and relative position of the various types of consumers' societies at four significant periods of the coöperative movement in Russia.

The relative dominance of the rural societies in the coöperative movement was particularly impressive,—18 per cent in 1897, 40 per cent in 1905, and nearly 86 per cent in 1914. The urban societies, which stood first in the list in 1901, constituted in 1914 only 6.7 per cent of the total, and equal to them in strength were the labor consumers' societies. The remaining societies of civil servants, officers, etc., increased but little in the twentieth century, while relatively their strength declined from 12 per cent to less than one per cent of the total.

<sup>16</sup> A. Merkulov, *Coöperation*, in *Ezhemesachni Zhurnal* (*The Monthly Journal*), February, 1915, p. 137.

<sup>17</sup> *The Russian Coöperator*, September, 1918, p. 155.



*The Distribution of Consumers' Societies by Types.*

<i>Types of societies</i>	<i>January 1, 1897*</i>		<i>January 1, 1901†</i>		<i>January 1, 1905†</i>		<i>January 1, 1914‡</i>	
	<i>Num- ber</i>	<i>Per- centage</i>	<i>Num- ber</i>	<i>Per- centage</i>	<i>Num- ber</i>	<i>Per- centage</i>	<i>Num- ber</i>	<i>Per- centage</i>
Urban	99	32	180	31	257	27	677	6.7
Rural	56	18	133	23	380	40	8,641	85.8
Company labor	91	30	159	27	178	19	522	5.1
Railway labor	25	8	33	6	46	5	59	0.6
Independent labor	—	—	5	1	3	0.3	100	1
Civil servants'	13	4	36	6	41	4	49	0.5
Army officers'	23	8	27	5	28	3	32	0.3
Others	—	—	4	1	15	1.7	—	—
Total	307	100	577	100	948	100	10,080	100

\* *Soyus Potrebitelei*, No. 39, 1918, p. 7. Data of Permanent Commission of Consumers' Societies.

† Supplement of the Proceedings of the First All-Russian Coöperative Congress, 1908.

‡ *Promyshlennost i Torgovlia (Industry and Commerce)*, published by the Ministry of Finance, No. 7, February 13, 1916, p. 175.

*Nation-Wide Coöperative Growth.*

The revolution of 1905-1906 was the turning point in the history of consumers' coöperation. It marked the definite ascendancy of the rural population in the movement, both as to the number of societies and the federated membership. Thwarted in his struggle for land and freedom, the peasant eagerly turned to coöperation, consumers' as well as producers', as a means of material betterment. The revolution had awakened in him powers of economic initiative and independence of action. Before this there never had been in Russian history a social movement so widespread, steadfast, and constructive in its purposes. It seemed a movement without leaders, without well-laid prearranged plans; there was barely time left to take a statistical account of societies and membership, or of capital and turnover.

The new movement was national in scope, and the village was its backbone. In the five-year period, 1891 to 1895, the rural societies counted but 42 of a total of 224, or about 19 per cent chartered in that period. But in 1904, the rural societies formed 40 per cent of all those organized in that one year; in the period of 1907-1908 they formed 84 per cent of the new societies organized in thirty provinces

of European Russia.<sup>18</sup> The movement had now spread into every province and territory of Russia, in Europe and Asia. The revised yearly lists of the Petrograd Branch of the Committee on Rural Loan and Savings and Trades Associations show that, in the course of eight years, the number of active societies had increased by about 660 per cent, and that the total number of societies organized for the same period (9,545) was more than six times the number registered in the forty-one years prior to 1906.

*The Growth of Consumers' Societies in 1906-1913.*<sup>19</sup>

January 1	Number in operation	Annual increase	
		Number	Percentage
1906	1,332	153	13.5
1907	1,687	355	26.7
1908	2,675	988	58.6
1909	3,846	1,171	43.8
1910	4,814	968	25.2
1911	5,800	986	20.5
1912	6,609	809	13.8
1913	7,214	605	9.2
1914	10,080	2,866	39.3

The consumers' coöperatives were at first chiefly concentrated in the southwestern, central, and northwestern regions, but they were not confined to the populous or the industrially advanced provinces. The societies appeared in the forest regions of the north, on the frozen inhospitable tundras, and in the remote settlements of Siberia. The two provinces of Kiev and Archangel are characteristic of the wide differences in population and industrial pursuits among the provinces of Russia, and so may serve as illustrations of the universal

<sup>18</sup> V. F. Totomians, *The Coöperative Movement in Russia*, in *Vestnik Evropy*, November, 1909, p. 82.

<sup>19</sup> N. Makrova, *Istoricheski ocherk potrebitelskoi kooperatsii v S. S. S. R.* (*Historical Outline of Consumers' Coöperation in U. S. S. R.*), Moscow, 1925, 2d ed., p. 34.

On the other hand, the statistical division of the Moscow Union of Consumers' Societies accounted for 6,097 societies in 1911; 7,092 in 1912; and 8,877 in 1913.

Of the 10,080 societies reported in 1914, which was exclusive of Finland, 9,597 were consumers' organizations purely, 133 were stores operated by creamery associations, 231 by agricultural coöperatives, 110 by credit coöperatives, and 9 stores by other forms of coöperation.

character of the movement. Kiev counted but 9 consumers' societies in 1900; 36 societies in 1906; 335 in 1908; 565 in 1910; and 640 societies in 1911.<sup>20</sup> In the province of Archangel there was but one society in 1901, located in the town of Onega; then five societies at the beginning of 1906. The impetus of the revolution awakened the forest and fishing settlements, from the White Sea to the Ural Mountain region, and they sought to free themselves from the itinerary middlemen-merchants who exchanged goods with them and kept them in debt. At the beginning of 1909, the province of Archangel counted 35 consumers' societies; 58 in 1912; and 82 in 1913.<sup>21</sup> The table subjoined shows the distribution of consumers' societies in Russia in 1905 and 1913 by regions.

*The Distribution of Consumers' Societies in Russia in 1905 and 1913.*<sup>22</sup>

Region	Number of societies, January 1, 1905	Number of societies by groups, January 1, 1913			
		Urban	Labor	Rural	Total
Bessarabia	5	6	2	61	69
Volga Basin	104	58	45	264	367
Trans-Caucasus	23	24	23	45	92
Lithuania and White Russia	45	214	21	86	321
Lake Region	53	60	34	432	526
Poland	45	304	74	519	897
Baltic Region	37	76	20	124	220
Ural Mountains	141	27	144	448	619
Industrial Region	102	80	120	290	490
Siberia	26	21	36	297	354
Steppes and Central Asia	23	22	5	16	43
Northern Region	16	16	14	298	328
Ukraine	281	353	141	1,930	2,424
Central Agricultural	33	38	21	96	155
Southeastern Region	17	30	35	241	306
All Russia	951	1,329	735	5,147	7,214

<sup>20</sup> L. Volfson, *Coöperation*, in *Ves Yugo-Zapadny Krai (The Southwestern Region)*, Kiev, 1913, p. 72.

<sup>21</sup> A. Ivanov, *Coöperation in the Province of Archangel*, in *Izvestia Arkhangel'skovo Obshchestva Izucheniya Russkavo Severa (Bulletin of the Archangel Society of North Russian Research)*, December, 1915, pp. 451-452.

<sup>22</sup> *Potrebitelskaya kooperatsiya v tsifrakh i diagramakh (Consumers' Coöperation in Figures and Diagrams)*, Kharkov, 1922, published by Kharkov Provincial Union, table No. 4, pp. 8-11; table No. 9, pp. 17-20.

About three-fourths of all societies were found in the European provinces of Russia, the southwestern and northern provinces foremost in the list. The movement was weakest in the northwestern, eastern, and central agricultural provinces, the numerical strength of consumers' coöperation varying more or less directly with the density of the population, urban concentration, and agricultural resources. According to the yearbooks of the Moscow Union of Consumers' Societies, the northern region had one consumers' society for every 8,500 of its population, and the southwest, one for 7,700; at the other extreme was the region of the middle and lower Volga provinces with 25,800 population for each society, and the central agricultural region with 46,800 population. Notwithstanding the enormous numerical growth in the years prior to the War, the country was inadequately served by consumers' societies, only twelve provinces showing 10,000 population or less for every society.

The rapid growth of consumers' coöperation among the peasant masses was due principally to the inefficient organization of retail trading in Russia, and the exorbitant prices charged by private dealers who often held a virtual monopoly in the villages. The seriousness of the general movement from below was reflected in the unusual stability of the new organizations; of the societies organized in the eight years, 1906 to 1913, less than 7 per cent were forced into liquidation in that period. The number of active societies which numbered 1,332 in 1906 had increased at the beginning of 1914 to 10,080. From data presented in the preceding tables, the relative strength of the three principal groups of consumers' societies may be summarized as follows:

	<i>1901</i>	<i>1906</i>	<i>1913</i>	<i>1914</i>
Urban	31	21.8	18.4	6.7
Rural	23	48.2	71.4	85.8
Labor	34	23.0	10.2	6.7
Others	12	7.0	....*	0.8
	<hr/> 100	<hr/> 100.0	<hr/> 100.0	<hr/> 100.0

\* Civil servants' and miscellaneous societies included under the urban classification, for January 1, 1913.

Apart from the larger economic and social factors which have contributed to the sudden expansion of consumers' coöperation in



the pre-war decade, the rising costs of living and the enabling Act of May 13, 1897, were not without their stimulating effects. In 1908 the cost of living as measured by the index number for the principal articles of retail trade was 25 per cent above the level obtaining in the last decade of the nineteenth century.<sup>23</sup> The advance was even higher in foodstuffs, textiles, and footwear; the index for bread was 145, for meat and dairy products, 148. And the cost of living continued to mount, without the accompanying compensation of higher wages.

The revolutionary movement and the reforms that followed it brought a more liberal attitude on the part of the political powers toward coöperation. Before 1897 the consumers' societies were governed by the general statutes relating to philanthropic organizations, and the registration of each separate society required the special sanction of the Minister of the Interior, a process which consumed months and years of petitioning and waiting; three to five years was not uncommon, and there were cases on record showing seven years elapsing before the petition of a society was finally granted.<sup>24</sup> But with the rise of coöperative agitation in the 'nineties, the Government promulgated "model rules" of by-laws for various coöperative forms, and transferred the right of their registration to the local authorities. The "model rules" of consumers' societies were largely influenced by the resolutions and propositions advanced by the conference of coöperative workers at Nizhni-Novgorod in 1896. This conference recommended the general adoption of Rochdale principles, consisting in low shares, with a minimum interest on capital, democratic management by one-man-one-vote rule, and the distribution of the net profits in proportion to trade or patronage during a given period. The new law entitled those adopting the formal rules to a shorter procedure in obtaining the official sanction

<sup>23</sup> The official *Svod tovarnikh tsen za 1913 god* (*Review of Market Prices in 1913*) shows the following index numbers for the principal articles of trade in the decade prior to the War. The average of 1890-1899 constitutes the base of 100.

1903.....	109.9	1909.....	127.8
1904.....	110.8	1910.....	128.9
1905.....	115.4	1911.....	130.9
1906.....	124.9	1912.....	138.9
1907.....	131.1	1913.....	136.8
1908.....	125.0		

<sup>24</sup> *Soyus Potrebitelei*, No. 13, 1903.

of the governor of the province; only those departing from them in the preamble or the by-laws required the action of the central Government. This decentralization of authority contributed to the progress of the movement, especially after the social upheaval of 1906, although the law left too much to the personal bias of the governor and the police authorities who passed on the "political reliability" of the associated members. The law of 1897 remained in force down to the Revolution of 1917.

The national period in consumers' coöperation was also characterized by a strong tendency toward consolidation into wholesale district and regional unions, but the active opposition and the repressive measures of the government police agencies were too powerful to overcome. There were only seven local consumers' unions in 1913, and ten in 1914, which accounted for the tendency to seek affiliation with the central consumers' wholesale federation in Moscow. In the ten-year period between 1905 and 1914, the number of societies federated in the Moscow Union of Consumers' Societies increased eightfold. It was only during the War, when the city population began to suffer from the scarcity of essential commodities, that the Government finally relinquished its attitude of hostility to the societies and their unions.

### *Membership and Administration.*

The statistical data relating to the membership of consumers' societies has been more or less inadequate at all times. In 1897, on the basis of reports submitted by 100 organizations showing an average membership of 553, the total for 307 existing societies was estimated at 169,000—an inflated figure by reason of the assumption that the average for the best societies held true for the movement as a whole. Approximately one-half of the total membership was found in the labor societies, the urban and officers' groups claiming 22 per cent each, leaving less than 7 per cent in the rural group. At the beginning of 1905 the estimated membership in all groups was 350,000. The surveys made in later years among organizations federated in the Moscow Union of Consumers' Societies supplied a more careful and reliable account of the associated membership; which is shown below.

*Membership of Consumers' Societies before the War.*<sup>25</sup>

	<i>Number reporting</i>	<i>Average membership per society</i>		
		<i>1910</i>	<i>1911</i>	<i>1912</i>
Urban	112	249	273	285
Company labor	66	638	662	626
Railway labor	11	3,062	3,687	3,836
Independent labor	24	352	415	431
Rural	202	104	125	137
	<hr/>	<hr/>	<hr/>	<hr/>
	415	416	412	370

The first place from the standpoint of average membership clearly belonged to the railway labor group, followed at a distance by the "company," independent, urban, and rural societies. The discrepancy appeared even greater upon the examination of those societies having 300 members or more; in 1912 90.9 per cent of all railway societies belonged to that group, 54.2 per cent of the independent, and 53 per cent of company societies; whereas a very small proportion of the urban and rural societies had a membership of 300 or more—30.4 and 6 per cent respectively.<sup>26</sup>

Another study of the composition of consumers' societies in 33 provinces of European Russia, by regions, was exhibited at the Second Coöperative Congress of 1913 at Kiev. The highest average membership was found in the industrial provinces around Moscow, the lowest in the agricultural regions, as follows:<sup>27</sup>

<i>Region</i>	<i>Members per society</i>
Industrial	385
Ural Mountains	268
Baltic	252
New Russia	220
Middle and Lower Volga	197
Central Agricultural	194
Northern	122
Little Russia	108
Southwestern	62

<sup>25</sup> *Soyus Potrebitelei*, No. 10, 1922, p. 36.

<sup>26</sup> M. Balabanov, *Istoriya rabochei kooperatsii v Rossii (History of Labor Coöperation in Russia)*, Moscow, 1925, 3d ed., p. 160.

<sup>27</sup> *Sibirskaya Kooperatsiya*, September-October, 1918, p. 31.

The surveys carried out by coöperative statisticians for a number of years have shown conclusively that prior to the War the consumers' movement as a whole was represented by a society having an average membership of about 175, in 1912, which decreased to 150 in 1914 owing to the growing relative strength of the rural group in the movement. On that basis the total membership in 1914 was conservatively placed at 1,400,000 persons. The peasant constituency was then 59 per cent, the labor societies embraced 30 per cent, and the general urban group 11 per cent of the entire membership.<sup>28</sup> Together with the members' families, it may be concluded that the consumers' coöperation served the needs of a population of over 7,000,000.

By the provisions of the Act of 1897 the powers of consumers' societies were defined as the right to transact all operations for the purchase, storage, and sale of consumption goods; to enter into contracts; to acquire immovable property such as store buildings and warehouses; to sell for cash or on credit. They were required to pay the industrial tax, and to submit annual reports on the financial work of the society.<sup>29</sup> The law also fixed the conditions of membership, which included the payment of an entrance fee of not over three rubles and the taking up of one share or more, the value of which had been limited to an amount not over ten rubles. The total annual indebtedness of the societies could not exceed the combined sum of the fees and the share capital, and their liability was limited to the extent of their capital and other tangible assets. Members were made personally liable only to the amount of their individual shareholding in the capital of the society.<sup>30</sup>

The membership in a consumers' society was theoretically unlimited, and new members were admitted by ballot. A consumers' society was regarded as a union of persons, not of capital; and in conformity with this fundamental principle, each member was entitled to one vote only in the affairs of the society, to be cast in person and not by proxy. The share capital of the society was not limited by law.

The highest and final authority in the administration of the society

<sup>28</sup> *Promyshlennost i Torgovlia*, No. 7, February 13, 1916, p. 175.

<sup>29</sup> S. V. Borodaevsky, *Kooperatsya (Coöperation)*, Petrograd, 1904, pp. 11-12.

<sup>30</sup> *Ibid.*, pp. 12, 13-14. Later, by the Act of March 20, 1917, the entrance fee was made to vary from 5 to 30 rubles, and the capital share from 10 to 100 rubles, bearing a fixed interest rate of not over 6 per cent.



resided in the general meeting of members, who nominated and elected the executives and supervisors. The associated members enjoyed the full advantages of democratic polity and rule. The members' meeting, which usually took place once a year, reviewed the annual report on the business of the society, discussed future plans and the tentative budget outlining the work for the coming year, determined expenditures for current needs and operations, and fixed the limits within which the elected officers were required to act; it also had the authority to alter the rules, to pass on the admission or withdrawal of members, and to transact any other business coming before it.<sup>31</sup> Special meetings could be convened at the request of a definite number of members, or whenever the managers or the auditors so directed. The members were essentially their own shopkeepers acting through their elected representatives. The coöperative store was thus more than a retailing business; it was a school of social and economic responsibilities for the inculcation of the ideals of self-help, thrift, and loyalty to mutual interests.

The management of the affairs of a consumers' society was in charge of the executive board consisting usually of not less than three members, serving with or without compensation according to the decisions of the general meeting. The board had complete control over the appointment, removal, and remuneration of the personnel, the terms of purchase and sale, the making of contracts, and of all other matters pertaining to the efficient conduct of business. The board was usually elected for a term of three years, but it could be removed even before the expiration of the term on the charge of misconduct or fraud. In small societies the manager also undertook the duties of a secretary. Large societies had assistant managers or subcommittees deriving their powers from the general meeting.

The executive board was distinctly a board for management, and not an independent body of directors. It was therefore the usual custom to appoint an auditing committee with the duties of review and criticism. The problems of audit, however, presented great difficulties to untrained managers in the small consumers' societies. In practice, the work of audit came later to be performed by the consumers' unions which sent out their expert accountants for the examination of the books and the current accounts of their affiliated member-societies. They instructed, criticized, and guided the back-

<sup>31</sup> S. V. Borodaevsky, *loc. cit.*, pp. 12-13.

ward societies with the actual work of bookkeeping and accountancy, gave valuable advice on business management, and their periodical visits constituted a real safeguard to the affairs of the consumers' societies.

For the consumers' movement as a whole, the average society operated, in 1912, 1.6 stores. In the urban group the average was 1.4; in the rural group, 1.3; in the company labor group, 1.9 stores. In the independent labor group the average increased from 1.3 stores in 1910 to 1.9 in 1912, and in the railway group, from 7.0 to 12.2 stores.<sup>32</sup> The latter two groups were showing the greatest tendency toward the chain-store or multiple form of coöperative organization before the War. The rural store was the smallest, usually averaging two employees; in the other groups, each store employed five to six persons on the average.

#### *Analysis of Coöperative Finance.*

It is essential to emphasize the fact that consumers' coöperation was largely the practical expression of an ideal for material and social welfare, and more than a form of business enterprise in the interests of a definite group. In the Russian environment the rigid adherence to correct rules and forms did not always serve to safeguard the ultimate purposes of consumers' coöperation. Although the Rochdale principles had been laid down for general guidance, it would be misleading to maintain that any departure in detail dictated by local needs and conditions had tended to render true coöperation unsound or impossible. Russian coöperative practice often departed from Rochdale principles, not because it was favored for its own sake, but because it was unavoidable and necessary in the larger interests of the masses. No better evidence could be brought forth than the facts bearing on the problems of financial administration in the consumers' societies.

The following table shows the condition of the owned funds,—the share capital including the initial membership fee and the reserve capital,—calculated per society, in rubles.

<sup>32</sup> Balabanov, *loc. cit.*, p. 167.

*The Owned Capital per Society.*<sup>33</sup>

<i>Societies</i>	<i>Share capital per society</i>				<i>Ratio of share capital to liabilities</i>			
	1909	1910	1911	1912	1909	1910	1911	1912
	<i>(in rubles)</i>							
Urban	5,509	5,700	5,660	6,177	28.3	26.9	24.4	24.7
Independent	2,917	3,467	3,806	4,605	32.1	34.0	23.8	18.9
Company	18,662	16,748	17,284	21,032	21.0	20.3	18.2	21.5
Railway	63,121	57,413	61,266	62,842	21.5	21.1	16.2	17.9
Rural	2,060	2,230	2,305	2,559	33.0	27.3	28.7	31.4

<i>Societies</i>	<i>Reserve capital per society</i>				<i>Ratio of reserves to share capital</i>			
	1909	1910	1911	1912	1909	1910	1911	1912
	<i>(in rubles)</i>							
Urban	1,588	1,916	2,180	2,259	28.8	34.6	38.5	38.3
Independent	74	77	188	1,277	2.5	2.2	4.9	28.4
Company	9,472	8,020	8,851	8,783	49.7	47.9	51.2	42
Railway	16,913	15,086	16,611	18,860	26.7	26.2	27.1	30.5
Rural	221	254	216	206	10.7	11.4	9.4	8.3

From the standpoint of share capital, the independent labor and the rural societies were the lowest in the list, being the youngest organizations in the movement. In the case of the former there was a definite decline in the ratio of its share capital to all liabilities, from 32.1 to 18.9 per cent, which reflected the large trade indebtedness of this group. The unexpected increase in the reserve capital in 1912 was a temporary phenomenon, the previous year being more indicative of the true state of affairs. The rural group of societies showed the highest ratio of share capital to liabilities, reflecting a correspondingly smaller dependence on outside sources; the low reserve ratios indicated the comparative youth of the rural societies on the whole.

For a more detailed and comparative study of the financial structure of the three groups of consumers' societies affiliated to the Moscow Union of Consumers' Societies (the facts for the non-affiliated societies were incomplete and unsystematic), the years 1900 and 1910 have been selected from the available data, the two periods being characteristic of the condition of the coöperatives before and after the revolutionary movement of 1905-1906. All the calculations are in rubles, except where a relation between two sets of data is understood, and they refer to the individual member instead of the society.

<sup>33</sup> Balabanov, *loc. cit.*, pp. 163-164.



*The Financial Status of the Coöperative Member.*<sup>34</sup>

<i>Items per member</i>		<i>Urban group</i>		<i>Labor group</i>		<i>Rural group</i>	
		1900	1910	1900	1910	1900	1910
Share capital (incl. entrance fee)	Rs.	24.1	21.3	25.6	19.3	30.4	18.0
Credit sales per member	Rs.	13.3	12.7	21.4	21.9	13.5	6.5
Ratio of credit to share capital	%	55.2	59.6	83.6	113.5	44.4	36.1
"Free part" of share capital	Rs.	10.8	8.6	4.2	-2.6	16.9	11.5
Borrowings (incl. deposits)	Rs.	7.6	10.4	4.5	6.2	14.0	12.5
Ratio of borrowings to share capital	%	31.5	48.8	17.6	32.1	46.1	69.4
Indebtedness on goods bought	Rs.	24.5	30.5	32.8	39.0	16.7	22.1
Working capital	Rs.	42.9	49.5	41.5	42.6	47.6	46.1
Ratio of "Free part" to working capital	%	25.2	17.4	10.1	-6.1	35.5	24.9
Ratio of borrowings to working capital	%	17.7	21.0	10.8	14.6	29.4	27.1
Ratio of indebtedness to working capital	%	57.1	61.6	79.1	91.5	35.1	47.9
Goods sold per member	Rs.	174.9	221.6	215.8	217.3	167.8	178.6
Turnover of working capital		4.1	4.5	5.2	5.1	3.5	3.9
Turnover of share capital		7.3	10.4	8.4	11.3	5.5	9.9
Reserve capital	Rs.	2.9	7.2	7.0	7.2	3.1	2.0
Ratio of reserve to share capital	%	12.0	33.8	27.3	37.3	10.2	11.1

A careful examination of the figures presented in this table reveals at once the fact that in the urban consumers' societies the three items of share capital and entrance fee, sales on credit, and working capital remained fairly constant in amount between 1900 and 1910. On the other hand, their indebtedness on goods and the average value of goods sold to members had risen by one-fourth in amount. The slight decline in the amount of average shareholding was due to the recent influx of one-share members in the coöperative movement. The new democratic constituency brought a decline in the proportion of net profits that used to go to shareholders irrespective of custom, and made possible the accumulation of larger reserve funds; the latter had increased nearly two and one-half times, from 2.9 to 7.2 rubles per member. Deposits and borrowings had risen by one-third, representing 48.8 per cent of the share capital in 1910.

The outstanding fact about the labor consumers' societies was the large amount of sales on credit, rising even above the nominal value of the average capital subscribed, which naturally diminished the importance of the share capital in the total fund available for busi-

<sup>34</sup> Prokopovich, *loc. cit.*, pp. 290-291, 303-304, 314-316.



ness operations. Members' deposits were also at a low point. But the reserve capital was comparatively in a strong position, chiefly due to the age and strength of many railway and company labor societies. The greater part of the working capital thus came to consist of indebtedness on goods purchased, fully 91.5 per cent in 1910 for the labor group as a whole. These societies depended on credit supplied by the wholesale dealers and to a smaller extent on advances made by the factory administrations. The sales of goods per member remained practically unchanged, for the group as a whole. Examining the labor group by its three divisions, the extent of selling on credit appeared greatest in the dependent company societies, and lowest in the independent labor societies. In the former the indebtedness on goods purchased was as large as the working capital per member. The independent labor societies, being the youngest organizations in the coöperative movement, naturally had the lowest share capital, deposits, and reserve funds per member.<sup>35</sup>

The recent origin of the majority of the rural consumers' societies was confirmed in the low position of the average share and reserve capital. The rapid expansion of consumers' coöperation after 1905, especially in the agricultural centers, had quite naturally lowered the average share capital per member, by 40 per cent in ten years, from 30.4 rubles to 18 rubles. But the peasant regarded the coöperative store as his own; he trusted it with his savings, and was more ready to pay cash for his purchases than the town and factory la-

<sup>35</sup> The financial structure of the company, railway, and independent labor societies, for the year 1910, was as follows:

<i>Items per member in 1910</i>		<i>Company</i>	<i>Railway</i>	<i>Independent</i>
Share capital (including entrance fee)	Rs.	23.7	17.3	9.1
Credit sales to member	Rs.	31.8	16.4	1.5
Ratio of credit to share capital	%	134.2	94.8	16.5
"Free part" of share capital	Rs.	-8.1	0.9	7.6
Borrowings (including deposits)	Rs.	8.0	5.2	2.4
Ratio of borrowings to share capital	%	33.8	30.1	26.4
Indebtedness on goods bought	Rs.	52.6	31.6	10.7
Working capital	Rs.	52.5	37.7	20.7
Ratio of "Free part" to working capital	%	-15.4	2.4	36.7
Ratio of borrowings to working capital	%	15.2	13.8	11.6
Ratio of indebtedness to working capital	%	100.2	83.8	51.7
Goods sold	Rs.	297.2	153.3	119.4
Turnover of working capital		5.7	4.1	5.8
Turnover of share capital		12.5	8.9	13.1
Reserve capital	Rs.	11.3	4.5	0.2
Ratio of reserve to share capital	%	47.7	26.0	2.2

borer, with the result that the average working capital of the rural societies did not suffer by comparison. The slower turnover of the working capital was only partly accounted for by its relative size, the true explanation, however, lying in the slower circulation of goods in the village stores. Without a doubt, the sounder financial structure of the village societies was due to the finer spirit of co-operation, the loyalty and interest of the membership. The ratio of credit to the value of shares was only 36.1 in 1910 for the entire group, and as low as 17.4 in the province of Perm, the lowest in the whole range of consumers' coöperation. Naturally, the village stores commanded more commercial credit. They also had a lower indebtedness per member on accounts payable, the ratio of their indebtedness on goods to the working capital being 47.9 (in the province of Kiev as low as 10.8) as compared with 61.6 per cent in the case of urban and 91.5 per cent for the labor societies. They were thus enabled to effect their business transactions on more favorable terms and to pass on these advantages to the peasant members.

The average share capital for the 415 reporting consumers' societies federated in the Moscow Union was 20.52 rubles per member in 1909, and 23.80 rubles in 1912. The company labor societies, considered as a group, showed the highest average, and the independent labor societies the lowest average amount of share capital per member.

*Share Capital per Member in 1909-1912.*<sup>36</sup>

<i>Societies</i>	<i>Number report- ing</i>	<i>1909</i>	<i>1910</i> <i>(in rubles)</i>	<i>1911</i>	<i>1912</i>
Urban	112	20.02	21.44	20.97	21.10
Independent	24	7.79	18.21	9.26	12.20
Company	66	26.95	24.45	27.51	30.50
Railway	11	17.09	18.58	18.10	25.90
Rural	202	17.95	18.28	17.79	18.60
	<hr/> 415	<hr/> 20.52	<hr/> 21.44	<hr/> 21.01	<hr/> 23.80

The table reveals a fair degree of stability in the size of the share capital estimated per member, and a slightly upward tendency for all groups in the course of the four pre-war years, though the in-

<sup>36</sup> A. Merkulov, *The Trend of Consumers' Coöperation in Russia during the War and Revolution*, in *Soyuz Potrebitelei*, No. 10, 1922, p. 37.

crease was sharper in the three groups of working-class societies than in the urban and rural groups. However, the figure for the rural societies required certain statistical corrections. This group was represented in the above survey by 202 societies, or 48 per cent of all cases studied, whereas it formed 80 per cent of the consumers' societies in Russia in 1912; furthermore, the society federated in the Moseow Union was usually stronger financially than the non-federated society of that group. According to Professor Merkulov it was necessary to add 650 to the rural group in order to maintain its relative strength of 80 per cent against the non-rural groups of the survey totaling 213 societies; on that basis, the corrected figure of average share capital in the rural societies was 21.9 rubles per member in 1912.

The following table shows the position of the consumer's societies, by regions, at the beginning of 1912, in thirty-three provinces of European Russia. It presents the average share capital and annual gross sales per society and per member, in rubles.

*The Capital and Trade of Consumers' Societies by Regions in 1912.*<sup>37</sup>

Regions	Average per society			Average per member	
	Member- ship	Share capital	Turnover	Share capital	Turnover
			(in rubles)		
Industrial	385	6,562	77,709	18.3	217
Ural	268	8,302	72,529	30.9	271
Baltic	252	18,610	78,878	73.8	313
New Russia	220	4,472	51,325	20.3	233
Middle and Lower Volga	197	2,828	29,335	14.3	149
Central Agricultural	194	3,315	37,197	17.6	192
Northern	122	4,107	32,447	33.6	266
Little Russia	108	3,114	34,574	28.8	320
Southwestern	62	1,339	9,020	21.6	146

From this brief analysis of the comparative position of the various groups of consumers' societies, one may turn to certain specific problems concerning their business interests. Theoretically, nearly all the current tangible assets of a consumers' society, outside its fixed equipment, in excess over current liabilities should have been regarded as the working capital of the society, including there accounts receivable, cash, and stocks on hand. The custom of selling goods on credit

<sup>37</sup> *Sibirskaya Kooperatsiya*, September-October, 1918, pp. 31-33.



tended to increase the requirements for working capital, but this disadvantage was compensated in an equal degree by commercial credit from wholesale dealers. The consumers' store as a rule carried only goods that were in general demand and readily salable, permitting it to make quick adjustments to changing market conditions, and to reduce the danger of losses from price fluctuations to a degree unknown in the ordinary private retailing establishment. It was equally important to take into account the rate of turnover during the year, the ratio of gross sales to the average working capital. In Russia the turnover was low, because of the general low level of wages, low industrial productivity, and the only partial dependence of the peasant masses and certain classes of labor on the consumers' stores for the supply of their daily wants.<sup>38</sup> Consequently a somewhat greater working capital was required for the work of the average consumers' society.

But the societies were generally poor in capital resources. They did not start out with sufficient capital, except what the members themselves supplied, that would have permitted them to place their business on a sound financial basis from the start. The working capital of a consumers' society consisted of the paid-in shares of nominal unvarying value including small entrance fees, increased by members' deposits, occasional borrowings, and accounts receivable. In private business, the accumulation of a reserve fund out of the earnings was conceived almost wholly as a source of fresh capital, providing it against unforeseen contingencies that might involve outside borrowing with interest payments to meet. But in the case of the consumers' societies, the reserve funds did not serve to enhance the amount of working capital. Before the enactment of the Act of 1897 it was common for the societies to invest their surplus from earnings in fixed business assets or to keep them free against days of extreme need. The new law stipulated that not less than 10 per cent of the net profits should be placed in the reserve fund, which was corporate

<sup>38</sup> The reports of the Factory Inspection for 1910 showed an average annual wage in establishments coming under the jurisdiction of the inspectors of only 243.9 rubles, while in Petrograd it was 355.4 rubles. Professor S. N. Prokopovich has estimated the average annual budget per head of population in European Russia, in 1913, at 101.35 rubles; the expenditures represented by money were half of that in the rural districts. According to Professor N. Oganovsky, the annual budget per head in Siberia, in 1911, was about 180 rubles, but two-thirds was "natural" expenditure.



and indivisible in character, to be used against possible losses, and invested in the meantime in approved interest-bearing securities left on deposit in the government banks. It was partly a fiscal measure intended to create a wider market for government bonds. This ruling was based on the assumption that the people's coöperatives were bound to fail, and it made their natural poverty in capital more obvious by a measure tending to leave a part of their owned funds idle.<sup>39</sup> It was a ruling at once unreasonable, unjust, and discriminatory, and no doubt the Ministry of the Interior recognized its unfairness when, in an individual case decided in 1902, it suspended its operation. To its last days the old régime also opposed the formation of credit and consumers' unions, whose aims were to supply credit, to mobilize the capital resources of the scattered primary societies, and to render weak individual societies stronger in union.

### *Working Capital and Trade Problems.*

The owned capital resources of the consumers' societies before the War were generally in a much sounder condition than in the War or post-war period. According to the yearbooks of the Moscow Union of Consumers' Societies, the primary consumers' organization federated in the Union had a combined working capital of 19,078,300 rubles in 1912, of which the owned capital was 7,626,000, or 40 per cent, and the borrowed capital, 11,452,300 rubles, or 60 per cent of the total. The ratio of owned capital was highest, 48-49 per cent, in the societies having an annual turnover of 10,000 to 100,000 rubles; it was lowest in the case of the small societies doing an annual business of less than 10,000 rubles, namely, 38 per cent. In societies with an annual turnover exceeding 500,000 rubles the owned means represented 43 per cent of the working capital.<sup>40</sup> The borrowed capital was chiefly commercial credit extended by wholesalers and jobbers and not bank credit, which was still uncommon in Russian practice. However, after allowing for the non-liquid elements of the owned

<sup>39</sup> The government bonds bore a rate of interest of 5 per cent. On the other hand, the coöperatives were obliged to pay on notes discounted, and on loans secured by the same bonds as collateral, 10 per cent or more; or they suffered other disadvantages because of the lack of funds, or from the necessity to sell the bonds in a falling market in case of need.

<sup>40</sup> I. Smilga (ed.), *Sovremennaya kooperatsiya i eya problemi* (*Contemporary Coöperation and Its Problems*), Moscow, 1925, p. 120.

capital, and for receivables against the borrowed capital, the liquid working capital for the federated societies was 10,704,700 rubles, of which the part owned was 4,710,500 rubles (44.7 per cent) and the part borrowed was 5,994,200 rubles (55.3 per cent). The financial condition of the pre-war consumers' societies was therefore sound; they were careful in the use of trade credit, and even more careful in not overextending store credit to their members; at least they were prone to give somewhat less than they received in the form of trade advances. The relation between borrowed and owned capital was generally moderate and sound. While the non-liquid element represented at times nearly 54 per cent of their owned funds, it also appeared that from the standpoint of their turnover, the societies retained a substantial part of their owned capital among their operating resources.

The average capital stood as follows in 1912, for the various groups of societies:<sup>41</sup>

	<i>Rubles</i>
Urban societies	11,248
Independent labor societies	7,891
Company labor societies	41,995
Railway labor societies	150,973
Rural societies	3,723

In 1897 the average capital of a consumers' society was 28,000 rubles, and since the rural and independent labor societies were practically unknown in that period, it may be concluded from the above table that the societies have gained substantially in capital.

The owned capital of all consumers' societies on January 1, 1897, was estimated at approximately 3,000,000 rubles, and their turnover on sales during the year at 16,000,000 rubles. In 1904 the turnover was 110,000,000 rubles, which constituted 117,000 rubles per society, and 242 rubles for each member. The net profit per member was 15 rubles.<sup>42</sup> On January 1, 1914, the aggregate share capital was calculated at 22,000,000 rubles, and the reserve at 6,000,000; per member, the owned capital was 20.4 rubles. The net profit was 9,800,000 rubles or 7.1 rubles per member. The estimated turnover on sales for

<sup>41</sup> *Ibid.*, p. 121.

<sup>42</sup> *Svod statisticheskikh svedeni o potrebitelskikh obshchestvakh v Rossii za 1904 god* (*A Survey of Statistical Information Concerning Consumers' Societies in Russia in 1904*), published by Petrograd Branch.

the year 1913 was about 300,000,000 rubles, or 214 rubles per member.<sup>43</sup> In the course of nine years the business of the societies had increased nearly threefold, but the average sales per member declined about 12 per cent owing chiefly to the large peasant membership in the movement.

The tables following present in more detailed form the business of the consumers' societies (415 reporting) federated in the Moscow Union, before the War.

*Turnover on Sales of Consumers' Societies.*<sup>44</sup>

Societies	Turnover per society			Turnover per member		
	1910	1911	1912 (in rubles)	1910	1911	1912
Urban	59,249	61,704	66,310	224	228	221
Independent labor	45,498	64,096	87,395	120	162	205
Company labor	210,018	226,664	207,198	303	347	397
Railway labor	508,370	662,188	707,217	188	196	230
Rural	22,486	20,871	21,389	177	157	156
	—	—	—	228	245	258

The average business for all societies fluctuated in these years around the sum of 98,000 rubles. The group of independent labor societies showed the largest gains in trade. It was already pointed out that the dependence of the societies on trade credit was large, the borrowed capital usually exceeding in amount the owned funds. The financial statements of the societies federated in the Moscow Union have revealed the high ratio of indebtedness, both in relation to the share capital and to all liabilities, that was characteristic of the business of the societies before the War.

The business of the societies was expanding at a more rapid rate than the accumulation of capital, showing that their trade was

<sup>43</sup> M. L. Kheisin, *The Present Condition of Consumers' Coöperation in Russia*, in *Vestnik Kooperatsii*, No. 2, 1915.

<sup>44</sup> Balabanov, *loc. cit.*, p. 163; *Soyus Potrebitelei*, No. 10, 1922, p. 38. Professor Merkulov, after statistical corrections for variations as to classes of societies reporting, estimated the normal turnover per member at 215 rubles in 1911, and at 216 rubles in 1912, against the census figures of 245 and 258, respectively. His conclusion is supported by the survey of the Kiev Exhibition, which established the normal average for 1911 at 213 rubles. *Ibid.*, p. 39.



*The Ratio of Indebtedness to Liabilities and the Share Capital.*<sup>45</sup>

Societies	Ratio of indebtedness to liabilities				Ratio of indebtedness to share capital			
	1909	1910	1911	1912	1909	1910	1911	1912
	Percentage				Percentage			
Urban	53	54	57	55	183	199	238	215
Independent labor	58	55	64	68	178	155	261	350
Company labor	54	56	60	57	249	264	317	258
Railway labor	50	53	59	57	219	230	358	287
Rural	49	55	55	54	146	198	186	159

financed by outside sources. The outstanding credit formed in all societies over one-half of the aggregate liabilities, reaching the highest ratio in the independent labor group. This indebtedness was generally from 2.0 to 3.5 times the share capital of the societies. Their business was based on credit, of which about two-thirds was represented by trade accounts payable and the remainder by notes against borrowed capital.

Dependence upon outside sources of capital and upon credit opened by dealers was a correlative of the practice of selling on credit to members, which was universal in the Russian consumers' societies. Nearly three-fourths of the membership availed themselves of credit at the stores. Poverty, unemployment, the irregularity of wage payments, high prices, not only made the policy of credit inevitable, but it induced the dangerous policy of participating in the economies of coöperation from the start by selling below market prices. The societies held it as their first aim to supply better goods as cheaply as possible. They had the alternative of either competing with private middlemen and giving credit, contrary to the established principles of true coöperation, or seeing the needy population become the prey of petty speculators and money-lenders. Before the War a consumers' society was usually found in communities which had no credit coöperatives, and it therefore assumed the onerous task of financing the personal consumption of its members. The policy was unwise but inescapable; and unfortunately it served to make it difficult for a credit coöperative to establish itself in the same community, once workers and peasants got accustomed to placing their savings with the consumers' society against future purchases for cash or credit. The table subjoined shows the ratio of credit to turnover on

<sup>45</sup> Balabanov, *loc. cit.*, pp. 163-164.



sales. It was highest in the railway and the dependent company societies, and lowest in the rural group.

*Ratio of Credit Sales to Turnover.*<sup>46</sup>

<i>Societies</i>	<i>1909</i>	<i>1910</i>	<i>1911</i>	<i>1912</i>
Urban	35	32	34	28
Independent labor	37	20	36	45
Company labor	70	77	72	81
Railway labor	49	77	76	66
Rural	21	27	20	15

It was to be expected that the high ratio of credit sales in the total business of the societies would be corroborated by the ratio of the individual member indebtedness to the average share capital. In 1912, that ratio was 55.7 in the urban group; 66.6 for independent labor; 61.1 for company labor societies; 112.2 for railway labor; and 30.3 for the rural societies. Thus the peasant membership made the least use of store credit as well as of dealers' credit.

The Act of 1897 restricted selling on credit to the extent of the members' shareholding. The personal liability of members for the obligations of the society was also limited to the same amount. These restrictions, in a rural community of property-holders particularly, where personal expenditures were in a sense productive in nature, needlessly inhibited the work and usefulness of the societies. They tended to restrict artificially the commercial credit of the societies and to make credit costly. Moreover, the large indebtedness per member on accounts payable, in relation to the available working capital, limited the choice of markets, added somewhat to the cost of goods, and increased the outgo in form of interest payments. The procrastination of the old régime in sanctioning coöperative wholesale unions kept the individual local societies from organizing their common consumption on a wider regional scale and so freeing themselves from wholesale middlemen.

Another departure from the Rochdale principles of coöperation was the custom of selling at prices below the market. The data gathered by the Moscow Union of Consumers' Societies among its affiliated members showed that the selling margin, or the difference between wholesale and retail prices, was generally around 14 per

<sup>46</sup> Balabanov, *loc. cit.*, p. 165.

cent.<sup>47</sup> The price margin was highest with the dependent railway and company labor societies; for the independent groups, in city and country, the average margin was usually 12 to 13 per cent. In 1914, the urban societies had a margin of 12.9, and the rural, 12.4 per cent.<sup>48</sup> The price margin varied for the several classes of goods, running from 3 to 7 per cent on essential commodities such as sugar, flour, vegetable oils, etc., and 15 to 30 per cent on coffee, sweets, scented soap, and the like. The average margin on essential goods in the case of private dealers was at best around 18 to 20 per cent, and above that as a rule. It was clear that the policy of lower prices involved greater risks in calculating the overhead charge for each commodity, with the concomitant waste entailed in breaking up bulk, losses in shipments, or unskilfulness at the store, besides the obvious loss in net profits. However, the retailing business in Russia was so universally inefficient, extortionate, and parasitic, and the masses so generally poor, that an orthodox adherence to the Rochdale principles would have made it impossible for the masses to join consumers' societies and to benefit immediately through lower prices.

For the same reasons, the Russian consumers' societies followed the policy of trading with non-members. Their poverty in capital made it difficult for them to resist the temptation of opening the store to all who wanted to trade there, to all potential members. The trade of non-members usually varied between 31 to 44 per cent of the total. The data supplied by 48 stores affiliated with the Moscow Union, in 1907, showed that fully 44.6 per cent of the total turnover was for the account of non-members.<sup>49</sup> The returns for all affiliated societies

<sup>47</sup> Smilga, *loc. cit.*, p. 78. The price margins for the different groups of societies, 1909 to 1912, were as follows:

<i>Societies</i>	<i>1909</i>	<i>1910</i>	<i>1911</i>	<i>1912</i>
Urban	12.1	12.1	13.8	13.3
Independent labor	10.6	10.5	12.0	13.0
Company labor	13.5	14.5	14.4	16.7
Railway labor	14.2	13.1	15.5	16.0
Rural	9.0	10.0	12.6	11.9
	<hr/>	<hr/>	<hr/>	<hr/>
Average	13.9	13.5	14.3	16.4

<sup>48</sup> *Potrebitelskaya kooperatsiya v narodnom khozyaistve S. S. S. R. (Consumers' Coöperation in the National Economy of U. S. S. R.)*, Moscow, 1927, p. 123.

<sup>49</sup> Ozerov, *loc. cit.*, p. 271.

in 1912 showed that the non-members' trade formed 48 per cent of the turnover.<sup>50</sup>

These necessary departures from the true principles of coöperation involved a conflict between the one-share members and those interested chiefly in large returns on their capital. The latter class favored a high margin above cost on all goods of general consumption. Cases were not unknown where large shareholders would offer to pay a poor man's entrance fee and share in the society in exchange for the dividends on his purchases, or to open an account for a non-member for a similar privilege, or to limit the membership in order to profit from the trade of non-members.<sup>51</sup>

### *Earnings and Their Distribution.*

The poverty of the consumers' societies in working capital was the compelling reason for the high proportion of earnings diverted for the compensation of shareholders. This naturally brought a class of "dividend-chasers" into the societies, at the price of excluding from membership the neediest workers and peasants who stood most to profit from an organized system of consumption. Nearly every consumers' store, before the influx of the masses into the coöperative movement, carried a list of so-called subscribers under the names of "deposit members" or "custom members," men who were not in reality full-fledged shareholding members with the rights and responsibilities attaching to membership. They were the investing public, only incidentally interested in coöperation. In some societies they outnumbered the regular members; their interests were in conflict with the needs of the one-share members who were loyal to the society and who favored the principle of a dividend in proportion to trade. The average amount of net profits allocated to the shares was 32 per cent of the total in 1896. Many societies paid 10 to 26 per cent on the shares.<sup>52</sup> The society at the Putilov Shops in Petrograd paid in

<sup>50</sup> Balabanov, *loc. cit.*, p. 169. For the different groups, the non-members' trade was 45 per cent in urban societies; 40 per cent in independent labor; 55 per cent in company labor; 42 per cent in railway labor; and 52 per cent in rural societies.

<sup>51</sup> Ozerov, *loc. cit.*, pp. 168, 173-174, 178, 241, 256-257, 261-262, 266-267, 270, 274.

<sup>52</sup> Of the 83 societies reporting dividends on shares. January, 1897, 6 societies paid under 5 per cent; 47, 5 to 10 per cent; 21, 10 to 15 per cent; 6, 15 to 20 per cent; and 3 paid over 20 per cent.—*Soyus Potrebitelei*, No. 39, 1918, p. 8.



1906 as high as 30 per cent on the first shares and 18 per cent on the second shares.<sup>53</sup> At the Ussolsk Works in the Ural region, 60 per cent of the profits was diverted to the shares, to the benefit of a small group holding 300 to 900 rubles in shares each, who regarded the consumers' society as a joint-stock company threatening to withdraw their capital if not satisfied.<sup>54</sup> Many so-called consumers' societies were in reality no better than private trading associations. These abuses were especially prevalent in the period before 1905.

As indicated above, in the discussion of selling margins, the gross profits of the societies fluctuated around 13 to 14 per cent. The policy of low charges retarded their growth, and left them poorer in means for the development of social and coöperative work on a scale commensurable with the numerical strength of the societies.

The net profits of the various groups of consumers' societies are shown below:<sup>55</sup>

<i>Societies</i>	<i>Net profit per member</i>				<i>Ratio of net profit to share capital</i>				<i>Ratio of net profit to turnover</i>			
	1909	1910	1911	1912	1909	1910	1911	1912	1909	1910	1911	1912
	<i>(in rubles)</i>											
Urban	5.2	6.2	7.2	6.9	25.7	26.9	32.9	31.9	2.4	2.6	3.0	2.8
Independent	2.2	2.7	3.5	3.8	28.4	27.5	37.1	35.1	1.4	2.1	2.2	2.0
Company	10.6	10.9	13.0	12.6	39.0	41.6	44.1	36.4	3.1	3.3	3.3	3.7
Railway	3.7	3.1	6.2	6.4	21.7	16.2	33.2	32.2	2.2	1.8	3.0	2.8
Rural	6.3	8.6	6.7	6.5	33.8	41.5	33.8	33.2	3.5	4.1	3.7	4.3

The net earnings on turnover were universally low, fluctuating as a rule around 3 per cent. The earnings of the independent labor societies were generally lower than the averages obtaining in other groups, as the practice of selling below the market seemed to be especially true in their case. The rural group showed the best net returns on gross sales, varying around 4 per cent. It is doubtful, however, if the higher ratio of net profit was due to a lower ratio of operating expenses or to superior advantages in meeting the competition of village storekeepers; more likely, the difference is traced to an uncorrected statistical calculation, namely, that the rural societies studied in this census were under-represented by comparison with other groups, and included a higher proportion of the more efficient units of their class. In other words, the rural group, which ordinarily forms eight-tenths of all consumers' societies, made up only one-half of the

<sup>53</sup> Prokopovich, *loc. cit.*, p. 282.

<sup>54</sup> Ozerov, *loc. cit.*, pp. 145, 269.

<sup>55</sup> Balabanov, *loc. cit.*, p. 166.



census societies, all of them members of the Moscow Union, which means that their ratio of net profits cannot be regarded as representative as the ratios shown for the non-rural groups of consumers' societies.

From the commercial standpoint it was found that societies having gross annual sales between 50,000 and 100,000 rubles were the most effective under pre-war conditions, whether considered in the light of selling margins, or operating ratios, or net profit, or the assortment of goods. In 1912, according to the returns of the societies federated in the Moscow Union, that group of societies showed 12.2 per cent of gross profit on turnover, an operating ratio of 9 per cent, and net profit of 3.3 per cent.<sup>56</sup> The small society with a turnover of goods between 10,000 and 20,000 rubles had a higher net revenue (3.9 per cent), but its selling margin was 13.7 and the operating ratio, 9.9 per cent; besides, it usually carried a limited variety of goods. At the other extreme was the large society doing an annual business between 500,000 and 1,000,000 rubles which had a gross profit of 12.5 per cent; but its operating ratio was 10 per cent, and its net profit, 2.5 per cent. Apparently the large consumers' society of the pre-war period lacked in business organization and the technique of business administration if it could not gain for itself and its associated members the advantages of a larger volume of business turnover.

The consumers' societies enjoyed the advantage of supplying a class of people whose wants were known and could be calculated with fair accuracy. But this peculiarity of coöperative retailing often served to obscure the importance of strict business details, such as the best time of making purchases, proper bookkeeping, and efficient organization in the store. The managers were likely to be new to commercial problems, unfamiliar with market conditions and business methods. In the small societies in particular the management was not infrequently left to the hired clerk, who was perhaps the only experienced man in the organization. In the earlier stages of coöperation it was not uncommon for hired clerks and managers to accept bonuses and discounts from private middlemen. In the province of Perm, the custom was early established of entrusting the actual business dealings to one man on a commission basis, in return for which

<sup>56</sup> Smilga, *loc. cit.*, p. 152. The apparent discrepancy in the ratio of net profit, as the difference between gross and operating ratios, was due to the exclusion of the no-profit societies in calculating the ratio of net profit.

he assumed responsibility for losses, "dead" stock on shelves, the inefficiency of clerks, and other wastes. It was a temporary expedient, which disappeared when the coöperative movement brought forth from its own ranks a loyal and experienced managerial personnel.

The actual direct costs of operation were low, fluctuating around 4 per cent per ruble of turnover in the urban and rural groups, and around 5 per cent in the labor societies.<sup>57</sup> In the rural societies, the administrative costs were tending to be the lowest; they were highest where they depended more on outside credit and advances in capital, as in the case of the railway and company labor societies. The price of dependence was indifference to small economies, lack of vigilance, and unbusinesslike methods. The total expense of operation, including administrative costs, rent, insurance, etc., was also higher in the group of labor societies, as may be seen in the averages compiled for all groups of societies federated in the Moscow Union.

*Ratio of Expenses to Turnover.*<sup>58</sup>

<i>Societies</i>	<i>1909</i>	<i>1910</i>	<i>1911</i>	<i>1912</i>
Urban	9.0	9.4	9.8	9.9
Independent labor	8.4	8.8	8.8	10.4
Company labor	8.2	10.1	9.8	12.1
Railway labor	11.5	11.5	11.7	12.8
Rural	6.2	6.3	8.1	8.9

However, in spite of the commercial weakness of the consumers' societies, and their lack of working capital and experience, they showed themselves, in town and country, as serious competitors to private middlemen who organized against them and sought in various ways to obstruct their legitimate business activities. The commonest method of persecution by middlemen in the days of the old régime consisted in denunciations of the societies or their leaders before the police authorities for alleged political and revolutionary aims and conspiracies against the established order.

<sup>57</sup> Prokopovich, *loc. cit.*, p. 348. The figures, in kopecks, for each ruble of turnover were as follows:

<i>Year</i>	<i>Urban</i>	<i>Rural</i>	<i>Labor</i>
1896	3.6	4.1	4.7
1900	4.1	4.4	5.0
1904	4.5	4.8	5.4
1909	3.8	3.2	6.0

<sup>58</sup> Balabanov, *loc. cit.*, p. 167.

The influence of the democratic masses after 1905 was reflected in the policy touching the distribution of net profits. In 1897 it was the usual practice, for the societies investigated, to allocate 5 per cent of net profits to the shares and a similar percentage to patronage; in most instances share capital received a larger amount. In 1904, when the average net profit per member in the federated societies was 15 rubles, the dividend on members' shares was 1.65 rubles and the refund on trade, 3.95 rubles, or a total of 37 per cent returned to members; the remainder was allocated chiefly to the reserve fund, additional taxes, or some special funds. But in 1912, the members' benefit was over one-half of the net profits. In amount, the members' benefit, comprising both dividend on shares and patronage, varied between 3 and 8 rubles; and the ratio of the patronage dividend to gross sales was usually about 2 per cent.<sup>59</sup>

<i>Societies</i>	<i>Distribution of net profits in 1912</i>			<i>Ratio of trade dividend to turnover</i>	
	<i>Expenses</i>	<i>Members</i>	<i>Reserve</i>	<i>Members'</i>	<i>benefit</i>
		(percentage)		(in rubles)	
Urban	17.7	56.3	26	5	1.6
Independent labor	15.1	49	35.9	3.1	1.7
Company labor	20.6	68.2	11.2	8.2	2.1
Railway labor	32	51.1	16.9	2.4	—
Rural	9.1	67.2	23.7	4.4	2.2

Thus it appeared that the independent labor societies placed the largest proportion of net profit in their reserve capital, while the dependent company labor societies distributed the largest proportion to the members. Considering the members' benefit by itself, it was found that the allocation of profit between share capital and trade tended to change though slowly in favor of patronage. The average percentage of net earnings going to shares was 32 for all groups in 1896, and 26.1 in 1910. It was especially high in the urban and railway labor societies, and lowest in the rural and independent labor groups. The following table gives the percentage of net earnings allowed on shares in the three years of 1896, 1900, and 1910, in the different consumers' societies:<sup>60</sup>

<sup>59</sup> Balabanov, *loc. cit.*, pp. 169, 170.

<sup>60</sup> Prokopovich, *loc. cit.*, pp. 282, 291, 304, 316. The first All-Russian Co-operative Congress meeting in 1908 laid down the general principle that "the share has no right to participate in profits, and it should receive the same rate

<i>Societies</i>	<i>1896</i>	<i>1900</i>	<i>1910</i>
Urban societies	42.4	33.1	28.0
Rural societies	34.2	33.9	21.1
Labor societies	27.4	26.1	26.2
Independent	—	—	17.1
Company	—	—	22.3
Railway	—	—	56.3
	<hr/>	<hr/>	<hr/>
Average for all	32.0	30.0	26.1

A part of the net profits allocated to general expenses included contributions to coöperative propaganda and other educational activities, although in many societies such contributions were often met from the general operating costs. Naturally the higher the amount contributed from the operating funds and counted as a business overhead, the smaller was the percentage assigned from the net profits. On the whole the expenditures for educational ends were small in the primary societies. The table subjoined shows the ratio of working expenses, and the additional ratio of the net profits, going to co-operative propaganda and education in 1912.<sup>61</sup>

<i>Societies</i>	<i>Percentage of all expenses</i>	<i>Percentage of net profits</i>
Urban	0.3	1.02
Independent labor	0.7	1.01
Company labor	0.5	1.06
Railway labor	0.1	3.86
Rural	0.4	1.61

The majority of consumers' societies favored the accumulation of a social and indivisible surplus for propaganda and educational work. Many of them had been pursuing such a policy for years, assigning to it all or part of the profits arising from the non-members' trade, while others used the entrance fees for that purpose. Very few societies cared to credit the non-member with the gains arising be-

of interest paid on other forms of working capital attracted to the society in the form of deposits and loans. The societies should purchase the use of money as a commodity, at current market rates. As the common capital resources and reserve funds of the societies increase in size, they might pay even less than the current market rate, and so aim gradually to diminish the share capital outstanding." *Ibid.*, p. 283.

<sup>61</sup> M. Kheisin, *loc. cit.*, in *Vestnik Kooperatsii*, No. 2, 1915.



cause of his trade. And, indeed, a policy of aimless, gratuitous distribution of earnings among a class of people bearing no responsibility in the organization was unfair in principle, for in the long run the patronage dividend constituted the truest measure of democratic management, loyalty to mutual interests, and the success of coöperation. The Coöperative Congress of 1908 regarded the earnings from trade with non-members as extra "savings," to be used for social and cultural needs, or as instalment payments toward a share whenever the non-member customer wished to qualify for full membership. In the province of Chernigov, the representatives of co-operation in 1907 decided to assign these extra profits to an indivisible fund to be invested preferably in fixed assets.<sup>62</sup> But it may be remarked here, in passing, that the old Government denied to the consumers' societies the right to accumulate an indivisible social fund apart from working and reserve capital accounts.

<sup>62</sup> Prokopovich, *loc. cit.*, p. 284.

## CHAPTER III

### CONSUMERS' SOCIETIES IN WAR AND REVOLUTION

#### *The Advance of Primary Societies.*

PRIOR to the War, consumers' coöperation had already achieved the proportions of a significant social, economic movement, although lacking in national power. Many of the leaders feared that the War would weaken its internal organization and check its future development. Yet the growth of the consumers' coöperatives continued without abatement in the years of war and revolution, stimulated by the crisis in the food supply and the failure of private trade and of governmental agencies to cope with the situation. For illustration, the number of consumers' societies in the two years between 1914 and 1916 had increased in the Volga region from 433 to 1,503; in the Ural provinces, from 726 to 1,386; in the Industrial region, from 729 to 2,508; in the Central Agricultural region, from 284 to 964 societies.<sup>1</sup> In eight provinces of South Russia, in the jurisdiction of the coöperative wholesale federation *Poyur*, the average number of new societies founded annually in the five-year period, 1914-1918, was 2,005.5 as compared with an annual average of 77.2 for the eight-year period before the War, 1905-1913.<sup>2</sup> Russia had already in 1915 as many consumers' societies as Great Britain, Germany, France, Italy, Switzerland, and Denmark combined.

So rapid was the progress of primary consumers' organizations that no central federation was in position to take annually a complete national survey of numbers and membership. While coöperative research and statistics were on a higher plane in Russia than in other countries before the War, matters have not been improved materially or intensively with the growth of coöperation in the years following the Great War. The surveys undertaken by certain organizations covered mostly the federated societies, and not all of those responded to the questionnaires.<sup>3</sup>

<sup>1</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, table 4, pp. 8-11.

<sup>2</sup> *Ibid.*, table 52, p. 90. The provinces referred to are Don, Kharkov, Ekaterinoslav, Kherson, Kursk, Poltava, Taurida, and Voronezh.

<sup>3</sup> The important sources of information available for the study of consumers' coöperation as a whole are as follows: (1) Data of the federated so-

On the eve of the War it was generally accepted that the normal consumers' society, for all classes and regions, embraced a membership of 140 persons. What changes did the War bring into the constituted membership of the normal society? The question is best answered by an examination of the data available for certain consumers' unions, by provincial and regional surveys, and the analyses of Professor Merkulov, a careful and accurate coöperative statistician who ever preferred to lean on the most conservative and lowest estimates.

The northern province of Vologda is almost entirely rural in character, and the great majority of its consumers' societies uniformly small and fairly representative of the national movement; moreover, in statistical research and information the province stands out as an example of exactness and thoroughness. Between 1914 and 1916, the average membership of the rural societies of Vologda rose from 103 to 245, and that of all the societies of the province, from 128 to 302, better than 2.3 times in two years.<sup>4</sup> This account, allowing for differences in constituency and time, was not radically different from the census of 1917 made by the national wholesale federation, the *Centrosoyus*, covering 5,105 societies with a membership of 1,842,469 and yielding an average of 360.9 persons (raised by a later revision to 367). The national survey disclosed the fact that all classes of societies had gained in membership. Thus the urban societies ad-

cieties of the Moscow Union of Consumers' Societies for 1912. (2) The surveys of consumers' societies in 1916 and 1917 by the Statistical Division of the *Centrosoyus*, and the data for federated societies in 1915 and 1916. (3) The survey of societies by the Council of All-Russian Coöperative Congresses, as of October 1, 1919. (4) Data of consumers' societies and their membership on November 1, 1918, and November 1, 1919, based on information supplied by local unions, and compiled by the *Centrosoyus*. (5) *Coöperation in Soviet Russia in 1920-1921*, edited by A. Fishgendler, published by the Supreme Central Council of Consumers' Societies. (6) *Kooperatsya o samoi sebe (Cooperation About Itself)*, published by the *Centrosoyus*, Moscow, 1921.

Besides these sources, there are available separate studies for various districts, provinces, and regions. Chief among the local studies are the researches of the Bureau of Coöperative Statistics of the Vologda Agricultural Society, later a division of the *Severosoyus*; accounts of coöperative unions of Kostroma, Novgorod, Voronezh, Gomel, Smolensk; the reports of the Moscow Union, the Siberian *Zakupsbyt*, the South Russian *Poyur*, the Ukrainian *Iukopsilka*, etc., etc.

<sup>4</sup> *Soyus Potrebitelei*, No. 10, 1922, p. 37.

vanced from an average of 273 members in 1914 to 1,429 at the beginning of 1917, and in the same period the rural societies increased in membership from 125 to 294.<sup>5</sup> In Siberia, where the societies were predominantly rural, and the smallest in Russia, the average society represented a membership of 219 persons.<sup>6</sup>

Under conditions of rising prices and increasing scarcity of goods the coöperative membership continued to mount upward, especially in the oldest societies. The census of the *Centrosoyus* of 1918, in Soviet Russia and Siberia, showed an average of 797 members, an increase of 117 per cent over the preceding year.

*Average Membership of Census Societies in 1917 and 1918.*<sup>7</sup>

Societies	Census of 1917		Census of 1918			
	Number of societies	Average member- ship	Number of societies	Total	Average member- ship	Percentage of increase
Urban	415	1,429	108	215,754	1,998	39.8
Independent	6	1,762	35	91,380	2,611	48.2
Company	38	816	28	32,882	1,174	43.8
Railway	8	4,522	5	41,770	8,354	84.7
Rural	4,638	294	680	300,085	443	50.1
	<hr/> 5,105	<hr/> 367	<hr/> 856	<hr/> 681,871	<hr/> 797	<hr/> 117.1

It is of course inadmissible to accept the census returns of 1918 showing an average membership of 797 as the normal for the whole range of consumers' coöperation in Russia. The normal may be established by interpretation and interpolation. The two surveys of the *Centrosoyus* require certain qualifications or adjustments for statistical variations as to social grouping and size of society. Going back of the returns of 1917, it is found that among the 5,105 cases studied the rural group was represented to the extent of 88.9 per cent, a ratio which held true for the nation as a whole; however, because the census included a larger proportion of the oldest societies, those above the national mean, the census average of 367 was reduced to the figure of 290 as the normal for all Russia. In the following census of 1918 the established average of 797 was too high because of the small number of societies studied and the lower percentage of

<sup>5</sup> *Sibirskaya Kooperatsya*, September-October, 1918, p. 33.

<sup>6</sup> *Izvestia Centrosoyusa*, March 1, 1920, p. 16.

<sup>7</sup> *Soyus Potrebiteli*, No. 23, 1918, p. 16; No. 10, 1922, p. 39.



rural representation among them, 80 per cent instead of the normal 90. Adjusted for the factor of group variation, the average would appear as 623, which could not be considered representative. Professor Merkulov has by the process of interpolation determined the normal for 1918 as 330, by taking the mean of 290 and 360, the normal memberships for 1917 and 1919, respectively, bearing in view the rate of coöperative growth during the year.<sup>8</sup>

The next census was carried out in the latter part of 1919 relating to the membership of consumers' societies in September of that year. It covered 46,920 consumers' societies with a membership of 17,639,171, including however 800,000 members of the *Zakupsbyt* federation and 789,000 members of the *Poyur* federation. Omitting the two federations, the average membership of the 46,920 societies was established as 342, but including the societies of the *Poyur*, the average was 350 members; this was a true average for the whole of consumers' coöperation in Russia because of the large number of societies embraced in the census.<sup>9</sup> Therefore, on September 1, 1919, the 53,000 consumers' coöperatives counted 18,500,000 associated members.

The final summary of the development of consumers' coöperation in Russia in the years after the War is presented in the table subjoined, according to the two most authoritative sources of information.

The increase in new societies was beyond anyone's expectations. In the four-year period before the War the annual increment of new societies was about 1,300, but in the war years of 1915-1917 the annual growth was approximately 8,000 societies, while during 1918 the total was increased by fully 12,000 societies. Even more amazing, unparalleled in the history of coöperation, was the growth in membership from 1,650,000 in 1915 to 17,000,000 in 1919, representing a population of about 85,000,000.

<sup>8</sup> *Soyus Potrebitelei*, No. 10, 1922, p. 35. For January 1, 1919, the census figure of the average normal consumers' society was 375 members. The census covered 30,199 societies aggregating 10,447,589 members in Soviet Russia, and 13,777 societies with 6,044,845 members in non-Soviet Russia; a total of 43,976 societies numbering 16,492,434 members. Because of duplications, Professor Merkulov reduced the census average of 375 to the normal figure of 360. *Ibid.*, p. 34.

<sup>9</sup> *Ibid.*, p. 35.

*A Summary View of Consumers' Coöperation in 1914-1920.*<sup>10</sup>

January 1:	All societies	Annual increase		Professor Merkulov's estimates		
		Number	Per- centage	Number	Average	Aggregate
1914	10,080	2,866	39.7	10,080	140	1,400,000
1915	11,000	920	9.1	11,400	144*	1,650,000
1916	14,750	3,750	34.1	14,500	180*	2,610,000
1917	20,000	5,250	35.6	23,500	290	6,815,000
1918	25,000	5,000	25.0	35,000	330	11,550,000
1919	45,997	20,997	84.0	47,000	360	17,000,000
1920†	—	—	—	53,000†	350	18,500,000

\* The membership of the normal society for 1915 and 1916 was interpolated by Professor Merkulov. The rate of growth was slow during 1914, and therefore the established normal as of January, 1914, was raised slightly, from 140 to 144 per society. The normal of 180 for January, 1916, was derived from studies of trends of development in various provinces and federations.

† Data given relate to September 1, 1919, the estimate of the Council of All-Russian Coöperative Congresses.

In this phenomenal increase of membership a certain allowance would have to be made for the normal growth of the coöperative movement which had begun prior to the War. But while the effect of specific war-time conditions cannot be measured with precision, there is no doubt that the growing scarcity of goods in the markets, the advance in prices, and private speculation were the dominant factors that caused new groups of the population to join the consumers' societies in ever increasing numbers. All classes of the city population took a keen interest in every supply and distribution organization, and trade unionists usually expressed their protest against rising prices by founding or joining a consumers' society. Yet no less important to the expansion of the movement was the contributory

<sup>10</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, p. 6. (Data derived from various surveys and individual studies.)

Professor Merkulov's estimates of societies and membership are shown separately in the last three columns.—*Soyuz Potrebitelei*, No. 8-9, 1922, p. 18.

The considerable difference in the two estimates of societies for 1918 is found in the explanation that the lower figure of 25,000 was based on the incomplete returns of the Petrograd Branch of the Committee on Rural Loan and Savings and Trade Associations, which was not functioning properly after the Revolution.

power of intangible social and psychological factors. The sudden outburst of coöperative activity appeared in the last four months of 1915, soon after the retreat of the Russian armies from Galicia. It was then quickly apprehended by the socially-minded that a short, decisive war was an ineffectual hope. The retreat had aroused the sense of national unity, the spirit of public service, an interest in the military and the internal front, and it was marked by the formation of numerous war industries and coöperative committees. It was realized that Russia was without a unified system of deliberately planned production and controlled distribution of consumers' goods. The coöperative movement stood out as one of democratic self-reliance, offering the opportunity of constructive social work in the hour of national need.

The War came to Russia at a time of an extensive strike movement, as serious as the strikes that accompanied the revolution of 1905-1906. The mobilization of working people and the suppression of trade unionism by the police turned many active spirits, who formerly gave their energies to the labor movement or socialist propaganda, to other social movements and national needs, and to coöperation in particular. The movement attracted the conservative and the radical, the well-to-do and the poor. In two years Russia had more than doubled her consumers' societies, and increased their membership more than fourfold. The War gave what years of patient building and propaganda had never achieved. Coöperation became widespread and popular, in favor with all classes of the population. The local authorities began to refer with respect to the movement and its leaders, inviting them to their conferences and councils as men capable of mastering the difficulties of supply and distribution. And early in 1916, as a mark of similar recognition, the State Duma had approved, without a change, the enabling act of coöperative societies, and asked for it the sanction of the Government. And although in the early period of revolutionary enthusiasm, after the downfall of the monarchy, many had left the coöperative movement to satisfy their social creative instincts in larger plans of political reconstruction, coöperation soon reëstablished itself at the forefront of national interest, because of the growing economic chaos, political disillusionment, and the apparent inability of the Provisional Government to devise a system of unified production and distribution.



*Social Composition of Consumers' Societies.*

The statistical studies undertaken after 1914 reveal no absolutely accurate or unbroken account of the social composition of the new coöperative membership. In January, 1918, the returns of the *Centrosoyus* showed that the rural group formed 79.5 per cent of all existing societies, the urban group, 12.6 per cent, and the labor groups, 7.9 per cent.<sup>11</sup> However, the analysis was unsatisfactory, because it was not sufficiently detailed and because it referred to a small group of only 856 societies responding to the questionnaire of the federation. More complete in character was the report relating to the social composition of the consumers' societies federated in the central union *Poyur*, in the eight provinces of South Russia.

*The Composition of Consumers' Societies in South Russia.*<sup>12</sup>

Groups	Number of societies				Distribution of membership			
	1916	1917	1918	1919	1916	1917	1918	1919
Urban: civic	40	73	229	432	18.7	20.2	10.3	8.9
Urban: closed	10	16	97	301	3.8	1.6	1.6	1.4
Independent labor	38	75	169	346	2.5	16.1	12.1	10.7
Railway labor	4	4	16	41	—	1.3	2.8	2.2
Rural	966	1,981	5,655	9,645	75.0	60.8	73.2	76.8
Total	1,058	2,149	6,166	10,765	100.0	100.0	100.0	100.0

The societies federated in the *Poyur* comprised 7 per cent of the consumers' coöperatives in January, 1916, and 23 per cent in 1919. The aggregate physical membership was then 4,370,000 associated in 10,765 societies. Nine-tenths of the societies were as a rule rural in type,—91.3 per cent in 1916, and 89.6 in 1919; for the same years the urban ratio advanced from 4.7 to 6.8, while the combined labor groups declined slightly from 4.0 to 3.6 per cent. It is asserted that for Russia as a whole, nine out of every ten consumers' coöperatives were found in the village communities.<sup>13</sup> But they did not include a

<sup>11</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, table 10, p. 21.

<sup>12</sup> *Ibid.*, table 54, pp. 93-95; table 55, p. 96.

<sup>13</sup> This represented a great relative advance for the war period. At the beginning of 1913, according to the coöperative section of the Kiev Exhibition, the rural societies formed 79 per cent of the total. For January, 1912, another authority, the Petrograd Branch of the Committee on Rural Loan and Savings and Trades Associations, placed the rural strength at 77.5 per cent of all consumers' societies.



corresponding proportion of the membership, being as units smaller in size. Approximately one-half of the societies reported their membership in January of 1919, or 4,900, when the rural group claimed 76.8 per cent of the total of 1,895,669. The table on membership distribution shows that the working-class groups have made the most substantial gains in members, because of the development of trade unionism and the weakening hold of industrial management over labor's coöperatives.

A new type of an urban society made its appearance under the stress of the market crisis in essential commodities,—the so-called special or "closed" society organized exclusively in the interests of certain institutions, groups, or professions, such as journalists, actors, students, public employees, bank workers, residents of certain districts, etc. In Moscow the number of closed societies in the three years, 1914 to 1916, increased from 14 to 33, whereas the civic urban societies offering their membership to all classes of the population increased from 9 to 13.<sup>14</sup> In the eight provinces of South Russia, these societies formed 1 per cent of the total in 1916, and nearly 3 per cent in 1919. In some instances the closed societies were constituted without share capital, the group using their place of business or their residence as a distributing point, sharing the costs on the basis of their food cards. Most of the closed urban societies were coöperative in name only; they were more correctly designated as supply organizations distributing among their members what they purchased or received from the government supply agencies, and therefore not in reality distinguishable from the municipal supply committees.

High prices, scarcity, speculation, the general bankruptcy of private trade, and the state monopoly in certain controlled commodities, contributed to the growth of consumers' societies. A few goods like sugar, flour, or kerosene, which could be had at a coöperative society, impressed the population with the practical importance of belonging to the movement. The food crisis, the consumer's paramount interest in procuring his day's supplies, and not deliberate conviction of coöperation as a social ideal, drew thousands into the societies. These mushroom coöperatives and their large unassimilated membership were deplored by most leaders. Every coöperative journal cried out against this invasion of flour-and-sugar coöperators, fearing for the permanent foundations of the movement. The period

<sup>14</sup> Balabanov, *loc. cit.*, p. 201.

was also marked by the first serious rift in the ranks of the coöperative movement. The rural group was dominated chiefly by the spirit of accumulation and savings on purchases, unmoved by the ideology of the working classes who regarded consumers' coöperation as a means of class struggle and emancipation; at the same time, the advance of trade unionism and the transformation of the former "company" consumers' societies into independent working-class societies tended to detach them from the heterogeneous and non-differentiated mass of the urban population. Yet, it may be observed, the societies were on the whole sound at the core; the movement was a large field of social service and idealism, and a way toward a better ordering of economic life.

### *Chain-Store Consumers' Societies.*

One outstanding development brought about by the War in the system of primary consumers' coöperation was the impetus that was imparted to the movement for concentration and consolidation. It consisted, on the one hand, in the centralization of individual co-operative stores within the limits of a city or district in chain-store or multiple consumers' societies, and in a process of federation in district and regional wholesale unions, on the other hand. This movement was further stimulated in the months after the overthrow of the monarchy, with the removal of all old-time restrictions and prohibitions, and with the ever-spreading food crisis which engulfed the country.

The chain-store system had its origin in the working-class consumers' movement. Its first appearance can be traced to the railway societies in the Ural Mountain region. However, it developed for the first time on a large scale under the inspiration of the "Labor Union" of Petrograd, although the latter was in reality not a multiple-store society but a central link in a chain of autonomous neighborhood stores independent as to capital, membership, and management. The labor societies were numerically weak, but their disadvantage in numbers was compensated by a larger membership, working capital, and location in industrial centers. Thus, in 1913, they formed only about 7 per cent of all consumers' societies, but in membership they represented 30 per cent of the total, and in working capital, 45 per cent. The idea of consolidation and federation also had greater popularity among workingmen: According to the reports of the *Centrosoyus*

the labor distributive societies, which formed, in 1914, 10 per cent of its federated membership provided 76 per cent of its capital.<sup>15</sup>

On the eve of the War there were some 100 independent labor consumers' societies with a total membership of 50,000. After two years, at the end of 1916, they were estimated at 300 societies with 500,000 member-shareholders; the cities of Petrograd and Moscow alone counted 50 societies with over 100,000 members.<sup>16</sup> From the outbreak of the War masses of industrial workers at first enrolled in the civic urban societies, but before long they began to form their own organizations operating a chain of stores in labor districts. This tendency was partly accounted for by the decimation of coöperative ranks with every new war mobilization, and the weakening of capital resources as a result of the withdrawal of shares by men called to the colors. In part, the growth of chain-store societies was labor's answer to the employers who assumed to regulate the distribution of consumers' goods as a means of retaining and controlling the labor supply. In Petrograd and in Moscow manufacturers' associations organized their own food committees, linking them up with the government distributive agencies, thus forcing the labor consumers' societies to depend on them for the provision of essential goods. The employers' food committees were not only a source of fresh profits, but a weapon against the independent coöperatives; not infrequently they offered lower prices, free rent, and other subsidies to favored company societies, thereby embittering and dividing the coöperative labor ranks.

The class-conscious workingman faced his employers boldly. To the laborer, exploitation now seemed a concentrated force, when the erstwhile capitalist-employer undertook also the function of a merchant-retailer. His first reaction was grumbling and disapproval, and when protests failed, he had recourse to organized opposition—the chain-store society and the federation. In November of 1915, the manufacturers' association of Petrograd conducted a number of preliminary meetings at various plants, and then issued a call for a general meeting under the guidance of their own agents. Over one thousand delegates from the labor ranks responded to the call. But the meeting adroitly nominated and elected its own presiding officer, and declared itself in favor only of societies free from every kind of

<sup>15</sup> *The Russian Coöperator*, October, 1917, p. 175.

<sup>16</sup> Balabanov, *loc. cit.*, p. 209.



factory control and surveillance, on the strength of the unanimous resolution that "by investing the coöperative movement with special economic importance, the working class intends to regard it as one aspect of the labor movement."<sup>17</sup> Within a few days the Petrograd Union of Labor Consumers' Societies was organized, and the first delegates' meeting without a dissenting vote enjoined its member societies against any dealings with the employers' food committees as "contrary to the interests of labor coöperation and inimical to the working class."<sup>18</sup>

Immediately after the Revolution of March, 1917, every company consumers' society moved to free itself from its former position of dependence. An energetic agitation was at once set in motion to consolidate the working-class consumers' societies and their stores into central organizations with a chain of branches,—the multiple society. The agitation was especially successful in Petrograd where by April, 1917, six consumers' societies with upward of 15,000 members joined their forces with the society *Vpered* (*Forward*). At the end of 1917 the society operated 40 stores as one unit; it had a membership of 50,000 and a monthly turnover of 2,500,000 rubles.<sup>19</sup>

A similar movement was on foot in every part of Russia throughout the period of War and Revolution. In Kiev, the labor society *Zhizn* (*Life*) was launched in October, 1915, with three stores and a membership of 970, after an intensive publicity campaign. At the end of 1916 it increased to a membership of 10,281; it then operated 13 stores in the various workingmen's quarters, and had a turnover of 660,404 rubles in that year.<sup>20</sup> In the city of Kharkov, the society *Obedinenie* (*Alliance*) started operations in November, 1915, with three stores and 986 members. By the end of 1916 it operated fourteen stores and a central warehouse, serving 12,379 members, with an annual turnover of 789,000 rubles; one year later it had 23,805 members, and the gross sales of its twenty stores were about 4,000,000 rubles.<sup>21</sup> In 1918 the turnover exceeded 11,600,000 rubles.

In Siberia, the societies of Irkutsk were the first to reorganize on the chain-store plan, in 1917, under the name of *Truzhenik Kooperator* (*The Coöperative Toiler*). The society began its activities with a membership of 4,650 and a share capital of 33,000 rubles. On

<sup>17</sup> Balabanov, *loc. cit.*, p. 206.

<sup>18</sup> *Ibid.*, p. 205.

<sup>19</sup> *Soyus Potrebitelei*, No. 11-12, 1918, p. 79.

<sup>20</sup> Balabanov, *loc. cit.*, p. 218.

<sup>21</sup> *Ibid.*, pp. 216-217, 247.



January 1, 1919, it operated a chain of seventeen retail stores, which sold in the course of the year various goods to a total value of 6,500,000 rubles. The capital of the society on that date increased to 96,500 rubles, and its balance sheet showed total resources of 1,633,657 rubles. The net profits for the same period amounted to 63,941 rubles. It followed a conservative policy of paying 6 per cent on the shares and 3 per cent on members' purchases, which was credited to the share capital of the members, and assigning the remainder to the reserve fund, after a grant of 31,000 rubles for educational and welfare work.<sup>22</sup> Other Siberian cities, like Tomsk, Biisk, Barnaul, Novo-Nikolaevsk, and others, followed the example of Irkutsk. Everywhere consumers' societies centralized their operations for trade, transport, and administration.

There were twenty individual societies of the chain-store type with a membership of 10,000 or more, early in 1918. But societies counting 3,000 members were not uncommon. The survey of the Organization Bureau of the First All-Russian Congress of Labor Coöperation, made in August of 1917, showed 107 chain-store labor societies with a total membership of 346,889, thus establishing an average of 3,242 members; however, twenty of these reporting societies included 54.8 per cent of the membership (190,056), and the seven largest societies had between them 31.5 per cent of the membership, or 109,193. In South Russia, the average for 206 investigated chain-store labor societies in 1917-1918 was 2,195 members.<sup>23</sup> More than two-thirds of the societies were of recent origin, founded since 1915, the first year of the War.

The names of the ten foremost chain-store consumers' societies are given in the table below.<sup>24</sup> All of them, with the single exception of the Moscow society *Coöperation*, were working-class consumers' organizations.

The chain-store movement also spread to the countryside. For instance, in April of 1918 there were in the two provinces of Samara and Simbirsk, in the region of the Middle Volga, twelve rural consumers' societies operating 157 stores scattered through sixty-five townships (*volost*).<sup>25</sup> In the province of Samara thirty rural stores

<sup>22</sup> *The Russian Coöperator*, May, 1919, p. 76.

<sup>23</sup> *Potrebitelskaya kooperatsiya v tsifrakh i diagramakh*, pp. 48, 49, 50.

<sup>24</sup> *Ibid.*, p. 44.

<sup>25</sup> Administrative unit comprising several village communities.

	<i>Year founded</i>	<i>Member- ship</i>	<i>Time reporting</i>
Petrograd "Forward"	1915	50,000	May, 1918
Moscow Central			
Labor Coöperative	1917	199,025	October, 1918
Moscow "Coöperation"	1915	91,721	January, 1918
Ivanovo-Voznessensk			
"Union Is Power"	1908	18,000	January, 1918
Samara "Self-Help"	1915	15,233	January, 1917
Rostov-on-Don "Alliance"	1918	35,863	January, 1919
Kostroma "Labor Coöperative"	—	20,000	—
Kharkov "Alliance"	1914	35,865	September, 1919
Kiev "Life"	1915	60,742	January, 1920
Nikolaev "Toiling Penny"	1909	12,000	August, 1919

located in eleven townships were united under one central administration, *Edinenie* (*Unity*). Other chain-store societies bore the names of *Dawn*, *Concord*, *Hope*, *Forward*, *Regeneration*, etc. The oldest rural chain-store society, organized in the middle of 1916 in the village of Dvoryansk, in the province of Simbirsk, was *Druzhba* (*Friendship*). It had a turnover of 1,500,000 rubles in the first one and one-half years of its operation. In April of 1918 this society had 8,000 shareholding members, and the value of each share was ten rubles carrying with it a fivefold supplementary liability for the financial obligations of the society. The share and reserve funds amounted then to 115,000 rubles, members' deposits were 60,000 rubles, and the loans extended by the local credit associations stood at 200,000 rubles.<sup>26</sup> The society operated thirty-two stores in eight townships, and each store was supplied with a reading room and small library for the use of the peasants. It employed a field instructor for the work of supervision and education, and supported fifteen poor boys at the local high schools.

It is instructive, by way of a summary, to describe in fuller detail the organization and work of at least two chain-store consumers' societies for the period of the War, one located in the capital of Moscow, the other in the provincial city of Samara. They were characteristic examples, albeit both were among the foremost societies of their kind. In some fundamental respects the chain-store organizations were alike, notwithstanding differences of size and power,—in their public spirit, their patriotism, their democratic aspirations, their super-

<sup>26</sup> *Soyus Potrebitelei*, No. 21, 1918, pp. 11-12.

human efforts to overcome the economic chaos, and their profound interest in matters of education, culture, and social welfare.

The work of the Samara consumers' society *Samopomoshch* (*Self-Help*) was characteristic of most urban and labor chain-store co-operative organizations. The society was founded toward the end of 1915 with over 4,000 members, and at the beginning of 1918 it enlisted a membership of nearly 20,000. It then operated a central warehouse, eight branches, and 38 stores. The gross sales for 1917 amounted to about 15,000,000 rubles. The society was the mainstay of the municipal food committee, performing the functions of purchasing agent and distributor of all state-regulated commodities, and so efficient and public-spirited was the work of the society that the authorities charged it with the actual operation of every municipal food shop in their control. The society had a far-flung system of purchasing agencies, in Vladivostok, Samarkand, Astrakhan, Rostov-on-Don, Moscow, and many other cities. It owned horse transport, candy establishments, bakeries, a shoe factory, and a variety of other workshops. It published a semi-monthly journal, *Samopomoshch*, maintained a reading room, a library for the use of children in particular, a social welfare department in charge of children's playgrounds, entertainments, and excursions, and a staff of instructors for the supervision and development of musical, scientific, and literary activities among its adult members.<sup>27</sup>

But the most widely known and successful organization of urban consumers, the colossus of the chain-store system, was the Society of Consumers *Kooperatsya* (*Coöperation*), of the city of Moscow. The idea of forming a large-scale distributive system to serve the masses of the city population originated there in 1915, one year after the beginning of hostilities, when the coöperative leaders perceived the signs of coming disorganization in the transport and food supply of the country. *Kooperatsya* was formally launched in December of 1915, having then a membership of 17,540. The scarcity of goods, mounting prices, and the failure of the Government to control food distribution had a marked effect on its growth, bringing to it the wide support of the masses, until by the middle of 1919 it occupied a place of foremost importance among consumers' societies not alone in Russia, but in the whole world. It had then a membership of 150,000.

At first the society aimed bravely enough to struggle against

<sup>27</sup> *Soyus Potrebitelei*, No. 23, 1918, pp. 12-14.



profiteers, but as the country progressed toward state control and fixed prices, it found itself gradually drawn into the government food control machinery. And it remained, because of its size and social importance, a state distributing organization, striving at the same time to preserve its independence and economic integrity and the methods of true coöperation. Its work as an agent of the state was not predominant; thus during the month of November, 1918, it received only 35.6 per cent of the goods marketed by it from government authorities. It still had to fight to obtain such goods which escaped the state monopoly.

The following data present a picture of the state of *Koöperatsya* in membership and in amounts of share capital and turnover.<sup>28</sup>

<i>January 1</i>	<i>Membership</i>	<i>Share capital</i> (in rubles)	<i>Turnover</i>
1916	17,632	232,320*	—
1917	61,897	691,700	4,100,000
1918	91,721	992,420	18,400,000
1919	129,853	1,527,697†	90,000,000

\* Figure relates to June 1, 1916.

† Figure relates to December 1, 1918.

The price of a share at the time the society was founded was fixed at ten rubles, but with the depreciation of currency and the great need for working capital the share was advanced to fifty rubles. The society had real estate and other property valued at the end of 1918 at 1,530,000 rubles. The commercial credit of *Koöperatsya* amounted to 75,000,000 rubles.

The first two stores were opened to the public in March, 1916, and before the end of the year their number rose to sixteen. On January 1, 1918, they numbered twenty-three. At the beginning of 1919 the society owned 99 stores and 21 central distributing depots, 6 warehouses, 9 dining halls, 6 stables and garages, 7 meat shops, 3 drapery shops, 1 book shop, vegetable gardens in the vicinity of Moscow, and a number of small workshops producing crockery and other household utensils. The society also acquired a large bakery in 1917 with a daily capacity of about 4,000 tons of bread, and by the end of 1918 it operated five bakeries and a flour mill.<sup>29</sup> It employed then 1,555

<sup>28</sup> *Izvestia Centrosoyusa* (*The Bulletin of the Centrosoyus*), February 1, 1920, pp. 21-22.

<sup>29</sup> *Ibid.*, p. 22.



persons, on collective agreements providing for the periodic revision of wages according to the trend of inflation and the cost of living.

The expansion of *Kooperatsya* beyond the limits of a single society required a parallel readjustment in the management and the administration of its affairs, partaking somewhat of the organization of a coöperative union. The large membership made management by meetings of shareholders cumbersome and wasteful. For purposes of administration the members of *Kooperatsya* were organized in sixteen district organizations corresponding to the administrative divisions of Moscow. The members of the various districts elected their representatives to the district meeting of delegates which in its turn appointed the district committees for terms of one year. The affairs of the individual stores were controlled by special committees coordinating their work with that of the district authority. Over and above the district organizations was the authority of the general meeting of delegates, one delegate for every 200 members, which elected the executive board and the council. The board was made up of seven members, elected for a term of three years. The council, an advisory and supervisory body, consisted of sixty members, serving one year, one-fourth of whom were elected by the general meeting, and the remainder by the district meetings.<sup>30</sup>

From its first days *Kooperatsya* aimed to develop educational and social activities among its members. The work of organization, education, and coöperative propaganda was centralized in a so-called non-trading department, with its subsections for particular functions, as the supervision of libraries and reading rooms, amateur theatricals, cinema productions, book shops, publications, and work with children involving the supervision of kindergartens, clubs, and playgrounds. The society organized a League for Saving Children, which worked in coöperation with similar organizations in other cities, for the feeding and clothing of the poor children made destitute by the War. It was thus the first public institution to take cognizance of the War's tragic consequence, the thousands of homeless and uncared-for children. It also organized clubs for adults, with lectures, musical and literary entertainments, courses in coöperation and other subjects. For its employees it had reading rooms and educational courses. It opened a central library at the end of 1916, which in two years grew to about 10,000 volumes; there were besides nine branches, each

<sup>30</sup> *Izvestia Centrosoyusa*, February 1, 1920, p. 23.

having a special children's department. The sums assigned for educational work grew from 21,700 rubles in 1916 to 134,400 in 1917, and then to 235,700 rubles in 1918. Since 1916 the society published a fortnightly journal, *The Moscow Coöperator*, and it started in 1919 a semiweekly paper, *Kooperatsya*, devoted to the discussion of social and economic problems and the propagation of coöperative ideals and information.

This civic chain-store organization of consumers achieved immediate success through the economies arising from the concentration of capital, the centralized distribution of goods, and technical and administrative efficiency. More than that, it succeeded in uniting all classes of Russian society as consumers, on a democratic basis, at a time of revolutionary propaganda, social division, and conflict. Its membership was recruited from all strata of the city population: clerks and office workers in private or public service formed over one-third of the membership, manual workers over one-fifth, the professional classes about one-fourth, and traders (which shows how serious the food situation appeared after the Revolution) constituted about eight per cent of the membership. The relatively small representation of manual workers was due to the large number of existing special working-class consumers' societies and the Central Labor Coöperative, a chain-store society counting about 200,000 members in October, 1918. All classes were represented on the district and central councils and boards of control and management. The Moscow *Kooperatsya* was in truth a public enterprise. It participated in all the municipal councils and food committees, in the war-industries committees, and men of prominence in every public activity were among its staunch supporters.

### *Coöperative Trade in War-time.*

The consumers' societies have scored their greatest advances in the period of the War, and at the time of the Revolution they represented the only national distributive system in Russia operating on a more or less orderly and unified plan. The War had at first a demoralizing effect on the internal markets, and the consumers' societies, so weak in their enforced separateness and local isolation, found themselves deprived of commercial credits and other trade privileges. The leaders of the movement feared that speculation in trade and the absence of government regulation would end ruinously

for the coöperative societies, and they bent all their energies in order to enhance their working resources. The established societies advocated fresh contributions to the share capital, they promoted deposits, assigned the net profits to the indivisible owned funds or credited them to the members as additional shares. At the same time the old practice of selling to members on credit was being gradually abolished, while new societies were introducing the system of cash sales from the start. The increase in savings in the rural districts, the payments made to the families of enlisted men, the higher money wages, and the savings which resulted from the abolition of the government spirit monopoly, were at once tapped as sources of fresh capital and opportunities for coöperative trade and influence. The consumers' societies had also availed themselves of the loan capital of the coöperative loan-and-savings and credit associations whose resources were at first rendered idle by the War. And finally, the rise of consumers' unions and other forms of consolidation helped to mobilize their credit and to strengthen their commercial positions.

The information concerning the financial condition and trade of the consumers' societies for the war period is of necessity fragmentary in character, too refractory and disjointed to serve as an unbroken account of their development. It was a period of revolutionary changes, of inflation and instability in finance and prices, of rapid expansion in numbers and in membership. The surveys and researches undertaken by central federations yielded only partial results, requiring interpolation and amendment. There are no complete accounts available that would enable the student to compare the various items of a consolidated financial balance statement of the war period, for the various classes of consumers' societies, with those of pre-war statements.

In 1917 the All-Russian Central Union of Consumers' Societies, the *Centrosoyus*, made public the facts on share capital and business turnover collected among its federated membership. The gross sales for the years 1915 and 1916, for the various groups, are shown in the following table.



*Average Business of Centrosoyus Member Societies.*<sup>31</sup>

<i>Societies</i>	1915		1916		<i>Rate of growth</i>
	<i>Number reporting</i>	<i>Average turnover (in rubles)</i>	<i>Number reporting</i>	<i>Average turnover (in rubles)</i>	
Urban	82	105,780	147	467,104	4.4
Independent	30	111,997	18	481,762	4.3
Company	73	399,255	71	511,909	1.3
Railway	11	1,584,684	8	2,641,979	1.6
Rural	261	35,372	562	66,334	1.8
	<hr/> 457	<hr/> 148,701	<hr/> 806	<hr/> 213,272	<hr/> 1.3

The figures of gross sales were not, of course, a correct index of the trend of business development in a régime of money inflation and rising prices. But the statistical averages in terms of rubles may be properly qualified by reference to retail price trends for the same period. It was found that the average prices for the principal commodities in which the consumers' societies traded, such as grits, vegetable oils, butter, kerosene, soap, and flour, increased 1.9 times between December 1, 1915, and December 1, 1916; in the following twelve months, by December 1, 1917, the prices further increased 3.8 times. Thus, in the oldest and best organized primary consumers' societies, which were members of the nation-wide central federation, the average increase in business for 1916 was somewhat less than the contemporaneous rise in the price level, 1.3 as against 1.9 times; in other words, the volume of goods passing through the average member society of the *Centrosoyus* had somewhat decreased.

The second investigation, for the years 1916 and 1917, concerned a larger number of consumers' societies in all parts of the country, irrespective of their membership in the central federation. The census was made in April of 1918 by the Statistical-Economic Division of the *Centrosoyus*. It revealed the following facts relating to the business turnover of the average census society.

<sup>31</sup> *Soyus Potrebitelei*, No. 23, 1918, p. 17.



*Average Business of Consumers' Societies.*<sup>32</sup>

<i>Societies</i>	1916		1917		<i>Rate of growth</i>
	<i>Number reporting</i>	<i>Average turnover (in rubles)</i>	<i>Number reporting</i>	<i>Average turnover (in rubles)</i>	
Urban	415	463,606	108	616,653	1.3
Independent	6	198,917	35	880,556	4.5
Company	38	353,477	28	713,603	2.0
Railway	8	1,760,970	5	4,734,339	2.6
Rural	4,638	47,167	680	136,463	2.8
	<hr/> 5,105	<hr/> 93,167	<hr/> 856	<hr/> 272,939	<hr/> 2.9

It appeared, then, that the representative census society increased its gross sales in 1917 over the year preceding 2.9 times, from an average of 93,167 rubles to 272,939 rubles. For the same period the price level of goods usually handled by the coöperatives rose 3.8 times. As in the previous investigation, the physical volume of trade declined, at least so far as the average census society was concerned. Its growth was nominal only, in current paper money. On the other hand, 1917 had witnessed a definite shift in the direction of large-scale retailing. In 1916, the societies whose annual turnover was under 100,000 rubles counted 77.1 per cent of the total studied, but in 1917 they formed but 29.2 per cent; societies with a turnover exceeding 300,000 rubles formed 5.7 per cent of the total in 1916, and 19.7 in 1917; also, the largest societies of over 500,000 rubles' turnover improved their relative position threefold in the two years, from 3.1 to 10.9 per cent.<sup>33</sup>

However, what arrested the attention in the two investigations, both for the member societies of the *Centrosoyus* and the so-called census societies, was the unequal growth of the various classes of coöperatives. The relative advance of the independent working-class societies was especially marked in the war period. It is pertinent to compare them with the dependent company societies; in 1916 they represented a little over one-half of the gross sales of the latter, but in the following year they outstripped them by almost 24 per cent. Their rise to a position of prominence coincided with the development of trade unionism and the powerful ferment of working-class emancipation. It was also found that the oldest societies naturally led in

<sup>32</sup> *Soyus Potrebitelei*, No. 10, 1922, p. 39; No. 23, 1918, p. 18.

<sup>33</sup> Balabanov, *loc. cit.*, p. 235.

the size of business turnover. Thus, at one extreme there were 18 consumers' societies dating before 1898 which had an average turnover of 2,158,578 rubles in 1917, and at the other extreme, 671 societies founded in 1913-1917 which reported an average business of 198,016 rubles.<sup>34</sup>

Two problems confront the student of consumer's coöperation. One demands to know, before making use of the averages supplied by the two statistical reports, how representative of the general membership of the *Centrosoyus* federation were the societies studied for the respective years 1915 and 1916, and, second, how representative was the census society of 1916 and 1917 of the normal consumers' movement of Russia? The answer could only be found by a process of analysis and interpolation, and the two factors employed to that end by Professor Merkulov were adjustment for group variations, where the relative position of the reporting societies deviated from the national standard, and adjustment for variations in the volume of business.

The average turnover of the census society, amounting to 93,167 rubles in 1916, was accepted as normal for the 5,105 societies studied, without corrections for group variations, because the census embraced a large and proportionately strong percentage of rural societies.<sup>35</sup> In 1917, after adjustment for group variations, the average for the group of 856 societies was reduced from 272,939 rubles to a normal of 209,000 rubles. These so-called normal figures of the census were further decreased, or adjusted for variations in size, in order to bring into the picture the large number of small coöperatives extant in Russia as a whole. On turning to the earlier report for member societies of the *Centrosoyus* federation it was found that the number of societies reporting—457 and 806—were not representative of the totality of federated societies, and upon adjustment for group variations, the normal turnover for the federated society of 1915 was established as 75,000 rubles, and that of 1916 as 114,000 rubles. Thus, the latter figure for the normal federated society was only by 19 per cent above the normal census society of 93,167 rubles,

<sup>34</sup> *Soyus Potrebitelei*, No. 23, 1918, p. 18.

<sup>35</sup> The figure was conservative, which may be verified by reference to the average business of 153,225 rubles reported for the consumers' societies in the region of the *Poyur* federation, in 1916, covering eight provinces of South Russia.

which accurately corroborated the tendency on the part of stronger societies to seek membership in consumers' unions. Finally, when adjusted for variations in the volume of business, the turnover of the normal consumers' society for the country as a whole was determined at 40,000 rubles in 1915, at 75,000 in 1916, and at 167,000 in 1917.

### *Share Capital and Profit.*

The great influx of new members in the coöperative movement during the War did not bring with it a corresponding increase in share capital. The consumers' societies of the general census carried out by the *Centrosoyus* showed an average increase of 80 per cent of the share capital during 1917; it was unequal for the various classes, high in the case of the company and independent labor societies, and practically unchanged in the urban group. From the standpoint of physical membership, there was an actual average decline from 17 to 15 rubles of share capital, but chiefly in the urban societies where the new partisans of coöperation were most numerous.

The facts of share capital, on the basis of society and individual shareholder, are summarized in the following table. The apparent increase in the share capital during 1917 did not keep pace with the inflation of the monetary standard, and the consequent rise of prices which had multiplied 3.8 times.

### *Share Capital per Society and Member*<sup>36</sup>

<i>Societies</i>	<i>Share capital per society</i>		<i>Percentage of increase</i>	<i>Capital per member</i>	
	<i>January 1, 1917</i>	<i>January 1, 1918</i>		<i>1917</i>	<i>1918</i>
	<i>(in rubles)</i>			<i>(in rubles)</i>	
Urban	26,565	26,943	1.4	24	13
Independent	9,625	38,739	302	7	15
Company	14,124	37,536	166	21	32
Railway	125,957	163,769	30	28	20
Rural	3,195	6,016	88	14	14
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Average	6,653	11,992	80	17	15

Apparently the growth in membership was too rapid to permit a complementary readjustment in the capital structure of the societies;

<sup>36</sup> *Soyus Potrebitelei*, No. 23, 1918, pp. 18, 20. The relatively low average of share capital per society was due to the numerical preponderance of rural consumers' societies in the movement as a whole.



hence, in 54 per cent of the reporting societies the shares still stood at five rubles, 39 per cent had ten-ruble shares, and only 7 per cent reported shares in excess of ten rubles. The small share prevailed in the rural and independent labor societies, and in the case of societies of all classes doing an annual business less than 300,000 rubles. Classifying the societies on the basis of gross sales, it was found that those with an annual turnover under 20,000 rubles had actually lost in share capital; the societies which registered an increase of 20 per cent were those having a turnover between 500,000 and 1,000,000 rubles.<sup>37</sup>

It is not, of course, to be presumed that the average share capital estimated for the census societies was characteristic of the consumers' movement as a whole. The normal for the nation, taking into account the large number of weak or non-federated coöperatives, was considerably less. For January 1, 1914, Professor Merkulov fixed the normal share capital for the federated societies, per member, at 21.9 rubles, and the national normal at 20 rubles; by the same methods of adjustment for group variations the normal for 1917 was 16 rubles, and for 1918, 14 rubles.<sup>38</sup> Thus, in the space of the war years, the normal share capital for the million-headed coöperative movement declined by 30 per cent, from 20 to 14 rubles per member, because of the great influx of new members from classes of the population generally poor in means. At the expense of its capital structure, the coöperative movement of the war period had reached out to the most indigent and wretched elements of the population who stood to benefit the most in their capacity as consumers.

The large business, expanding far in advance of capital accumulation, was in part made possible by the greater velocity of capital turnover. Thus the share capital of a number of labor consumers' societies in 1916 turned over 20 to 24 times, as compared with the maximum pre-war normal of 15. Among the societies comprised in the *Poyur* federation the average was 20.3 in 1916, and 17.6 in 1917.<sup>39</sup> In the urban consumers' societies the ratio of share capital to work-

<sup>37</sup> *Ibid.*, p. 19.

<sup>38</sup> *Soyus Potrebitelei*, No. 10, 1922, pp. 37-38. (A survey of 1,767 societies, members of the *Poyur* federation, showed on the average 5,631 rubles per society, as of January 1, 1918, or 13.9 rubles per member, a figure identical with the national normal above. *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, p. 102.)

<sup>39</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, pp. 100, 104.



ing capital was as 1 to 12, according to the survey of January 1, 1917, for societies federated in the *Centrosoyus*; among rural societies, the ratio was as 1 to 19. Trade credit was large, and the share capital too moderate, far more inadequate than was the case with private commercial establishments. Nevertheless, even in 1916, in the heyday of private enterprise, the consumers' societies proved themselves more efficient in every business crisis, and in spite of their slender resources and their high trade indebtedness, they were expanding their trade operations at a time when private trade was narrowing its field or going out of existence. The phenomenon could be explained only by the circumstance that coöperation was based on the organized consumer and not on competition, that it was motivated by the spirit of social service, not by the instinct of gain-seeking.<sup>40</sup>

In the absence of consolidated balance statements beginning with the war period, the following table is presented which shows sufficiently the effect of War and Revolution on the trend of average assets and liabilities. The report relates to 492, 1,446, and 1,370 consumers' societies of Ukraine for the respective years 1918, 1919, and 1920. The societies of the region were predominantly rural and small.

<sup>40</sup> M. G. Shirman, in an article entitled *The Financial Progress of Consumers' Coöperation*, in *Soyus Potrebitelei*, No. 34-35, 1917, instances the co-operative Moscow Narodny Bank in support of the same conclusion. Its deposits during 1915-1917 increased 12 times as against 2½ times in the average commercial bank; yet the latter had on March 1, 1917, over 24,000,000 rubles of share capital, and the Moscow Narodny Bank only 4,000,000 rubles. It weathered the financial crisis better and drew depositors to itself because it was based on coöperative unions.

*The Financial Status of the Average Consumers' Society of Ukraine.*<sup>41</sup>

	<i>January 1, 1918</i>		<i>January 1, 1919</i>		<i>January 1, 1920</i>	
	<i>Rubles</i>	<i>Ratio</i>	<i>Rubles</i>	<i>Ratio</i>	<i>Rubles</i>	<i>Ratio</i>
<i>Assets:</i>						
Cash and securities	3,178	16.8	5,816	23.5	20,283	26.9
Merchandise	13,335	70.6	15,238	61.5	42,680	56.5
Equipment	707	3.7	784	3.2	2,732	3.6
Accounts receivable	1,214	6.4	2,188	8.8	7,586	10.0
Other assets	474	2.5	759	3.0	2,289	3.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	18,908	100.0	24,785	100.0	75,570	100.0
<i>Liabilities:</i>						
Share capital	3,005	15.9	3,519	14.2	6,535	8.6
Other capital	1,535	8.1	2,576	10.4	8,083	10.7
Deposits and loans	5,421	28.7	8,677	35.0	28,267	37.4
Accounts payable	4,437	23.5	2,659	10.7	7,434	9.8
Other liabilities	4,510	23.8	7,354	29.7	25,251	33.5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	18,908	100.0	24,785	100.0	75,570	100.0
Total in pre-war rubles	4,202	—	1,239	—	756	—

In the typical urban and rural society before the War, in 1910-1913, the share capital constituted 25 to 33 per cent of the liabilities, which in 1918 had fallen to 15.9 and in 1920, to 8.6 per cent. There was also a sharp decrease in the outstanding trade credit as measured by accounts payable, but, on the other hand, there was a rise in deposits and loans pointing to the public and commercial trust enjoyed by the societies. At the same time the condition of economic scarcity was reflected in the falling ratio of merchandise accounts and the growth of cash on hand. The information concerning gross and net profits as of January 1, 1918, appeared in the returns of a limited number of census societies, only 759 supplying information on gross and 837 on net profits.

The table shows that although the average ratio of gross profit or selling margin was the lowest in the urban group of societies, their net gain on the year's turnover was better than in the independent

<sup>41</sup> *Potrebitelskaya kooperatsya na Ukraine za pyat let, 1918-1922* (Consumers' Coöperation in Ukraine for Five Years, 1918-1922), published by the All-Ukrainian Coöperative Union *Vukopsilka*, Kharkov, 1923, pp. 36-37.

*Gross and Net Profit during 1917.*<sup>42</sup>

<i>Societies</i>	<i>Average gross per society (in rubles)</i>	<i>Ratio of turnover</i>	<i>Average net per society (in rubles)</i>	<i>Ratio of turnover</i>
Urban	73,644	11.9	19,123	3.1
Independent	109,680	12.3	21,721	2.4
Company	86,971	12.2	29,888	4.2
Railway	772,932	16.3	208,257	4.4
Rural	23,381	17.1	6,790	4.9
Average	40,272	14.8	10,952	4

labor consumers' societies with their higher ratio of gross; obviously the newly organized working-class societies had higher ratios of operating expenses. The rural societies worked under the burden of greatest ratio of operating expenses and imposed correspondingly the heaviest margin on goods sold, 17.1 per cent of the gross turnover.

These facts were too meager and limited in scope to have formed the basis of an adequate comparison with pre-war conditions. But, roughly, it appeared that the average ratio of gross profit increased only imperceptibly, from 14.5 per cent in 1909-1912 to 14.8 in 1917; the average ratio of operating expenses registered a slight decline,<sup>43</sup> and the ratio of net profit advanced from a pre-war average of 3 to 4 per cent. It may, therefore, be concluded that the consumers' societies have improved in their business efficiency, notwithstanding the many economic aberrations of the period. Their charges on goods and their operating costs were lower, they abandoned the pre-war policy of selling on credit, and yet betrayed no inclination to gain at the expense of the millions of new members, a membership openly regarded as specific of the times and impermanent,—not even for the excellent purpose of swelling their owned corporate capital resources. Consumers' coöperation has come to maturity with the War, it has gained in practical experience under bewildering conditions of national life, and its social purpose was deepened by its vital and immediate contacts with every phase of economic activity.

<sup>42</sup> *Soyus Potrebitelei*, No. 23, 1918, p. 20.

<sup>43</sup> The ratio of expenses to turnover was 9 to 10.2 per cent in 1915-1919 in the large societies, such as the Moscow *Kooperatsya*, and 11.6 in the normal provincial societies. *Soyus Potrebitelei*, No. 5, 1923, p. 39.

*The Aggregate Trade of Primary Coöperation.*

The preceding discussion concerning the share capital and the business turnover of the normal consumers' coöperative in Russia opens the way for the drawing up of a summary calculation of the aggregate capital owned by the societies and the trade passing through the channels of primary consumers' coöperation. Though the averages of the census societies, even after they were adjusted for variations as to social grouping and size of business, indicated a decline of no inconsiderable proportions, so great was the expansion in the number of the new societies and their membership between 1914 and 1918 that their combined trade had actually increased in pre-war values as it had in current values. Yet it must ever be emphasized that more significant than figures of trade or share capital or profit of operations was the social value of the consumers' movement, as attested by the complete or partial dependence of a large population upon coöperative supply.

The aggregate share capital and business of the consumers' societies has been computed on the basis of the share capital and trade of the normal society and the number of societies in existence. The summary is presented below.

*A Summary View of the Capital and Trade of Consumers' Coöperation.<sup>44</sup>*

<i>January 1</i>	<i>Number of societies</i>	<i>Member-ship in thousands</i>	<i>Share capital</i>			<i>Annual trade</i>		
			<i>Total</i>	<i>Per society</i>	<i>Per member</i>	<i>Total</i>	<i>Per society</i>	<i>Per member</i>
					<i>(in rubles)</i>			
1914	10,080	1,400	28,000,000	2,780	20	250,000,000	24,800	178
1915	11,400	1,650	32,175,000	2,800	19.5	290,000,000	25,400	176
1916	14,500	2,610	46,980,000	3,240	18	580,000,000	40,000	222
1917	23,500	6,815	109,000,000	4,640	16	1,762,000,000	75,000	260
1918	35,000	11,550	162,000,000	4,620	14	5,845,000,000	167,000	550
1919	47,000	17,000	—	—	—	20,000,000,000	426,000	1,177

The consolidated figures of share capital and business turnover, in their current values, may be rendered in terms of pre-war exchange. The Statistical-Economic Division of the *Centrosoyus* has established on the basis of price trends the following coefficients, from the base of 1914 as one: 1.2 for 1915, 1.7 for 1916, 4.5 for

<sup>44</sup> *Soyus Potrebitelei*, Nos. 8-9, 1922, p. 18.



1917, 20 for 1918, 100 for 1919. The gold equivalents of the financial condition of consumers' coöperation are subjoined in the table following:<sup>45</sup>

<i>January 1:</i>	<i>Share capital in pre-war rubles</i>	<i>Turnover in pre-war rubles</i>
1914	28,000,000	250,000,000
1915	32,175,000	290,000,000
1916	39,150,000	483,000,000
1917	64,000,000	1,040,000,000
1918	36,000,000	1,300,000,000
1919	—	1,000,000,000

The inflation of the currency, and the universal reluctance or infeasibility to advance the subscription price of the share in sympathy with the rising price index, were the prime causes of the lowered importance of the share capital in the balance sheet of consumers' coöperation. It rose sharply in the course of 1916 from 39,150,000 pre-war rubles to 64,000,000 rubles, while the gross sales of the societies had more than doubled for the same period, only to recede almost as precipitously during 1917. On the other hand, the gross sales of the societies increased in that year by one-fourth, advancing to the record figure of 1,300,000,000 pre-war rubles; and although there was a decline during 1918, the consumers' societies, as a system of supply, performed a function even more significant than heretofore because of the general decline in productive power and the chaos in exchange and distribution.

The share of consumers' coöperation in the retail trade of the country has been estimated at about 7 per cent in 1914, on the basis of Russia's national income and trade by M. Prokopovich. In the three years, 1916 to 1918, the coöperative trade advanced to a commanding position represented by approximately 39 per cent of the entire retail trade in foodstuffs, clothing, footwear, and various manufactured products of domestic consumption, according to Professor Merkulov's calculations. Other statisticians have placed the coöperatives' trade between 25 and 30 per cent of the entire retail trade. Professor Merkulov's ratios are here presented because they are available in better form.

<sup>45</sup> *Soyus Potrebitelei*, No. 10, 1922, pp. 38, 39.

*Retail Trade.*<sup>46</sup>

<i>Year</i>	<i>Total</i> (in millions of pre-war rubles)	<i>Coöperatives</i>	<i>Ratio</i>
1914	4,200	290	6.9
1915	3,500	483	13.8
1916	3,238	1,040	31
1917	2,764	1,300	46
1918	2,500	1,000	40

Statistical computations of retail trade are at best tentative and proximate in character, but this qualification can not conceal the relative as well as the absolute importance achieved by consumers' coöperation in the distributive system of Russia. The large indubitable fact remains that under the stress of the War and Revolution the coöperatives have enhanced more than fourfold their specific importance in the markets of the country, and that as a unified system for orderly distribution of and by organized consumers, they represented a voluntary economic institution unequalled in the history of business as it was anomalous to the ways of politics in Russia.

*Coöperation and the Food Problem.*

The unprecedented development of the consumers' coöperatives in all sections of the country and for all classes of the population, their straining and struggle to overcome their weakness as one-store local societies through the formation of chain-store organizations and unions, and the rush of all classes of the population to join them, bespeak both the creative genius of the movement and the suffering of the masses from the lack of goods and the high cost of living.

Inflexibly, in the center of Russian economic and political problems during the War and Revolution, overshadowing all else, stands the problem of the food supply. The food problem was perhaps the first and real immediate cause which brought about the downfall of autocracy in 1917. From the beginning of the War the Russian markets were short of supplies, and prices were climbing upward, to the surprise and confusion of officials who expected overflowing markets and a sharp decline in prices with the cessation of the foreign export trade. Between August, 1914, and July, 1915, for a period of eleven

<sup>46</sup> *Ibid.*, p. 15. (A. Fishgendler, a prominent coöperative statistician, gives the following ratios for 1916-1918: 22, 32, and 28, respectively.)

months, the value of exports declined by 87.2 per cent by comparison with the corresponding months of 1913-1914. Yet prices moved to higher levels. On the basis of average prices of cereal grains for the season of 1913-1914, the index number for December, 1914, was 116; for January, 1915, it was 127, for March, 136, and for June of the same year, 145.<sup>47</sup> The increasing costs were general, for all goods, in all sections of the country. The price of gold almost doubled in the first year of the War. In Moscow, food articles rose between 12 and 60 per cent in price, from August, 1914, to March of the following year; rye bread increased by 23 per cent, buckwheat by 44 per cent, salt by 57 per cent, third grade meats by 46 per cent, and potatoes by 92 per cent. On the other hand, wages at first remained unchanged or even declined in some cases. According to the budgetary survey of 1915, undertaken by the "Society of A. I. Chuprov," food and rent absorbed 74 per cent of the wage of metal workers as against the normal 70.5 per cent, and in the case of textile workers the two prime wants absorbed 105.5 per cent of the individual income as against the normal of 66.8 per cent.<sup>48</sup> The unskilled and the poorly paid workers were victims of underfeeding, or debt, or overwork, or child labor, in their efforts to add to the family income. For the province of Moscow, the average wages increased by only 19 per cent in 1915, as against the increased cost of living of 53.3 per cent.<sup>49</sup>

The difficulties were at first believed to be of passing moment, the result of artificial speculation. Local authorities began to issue orders, decrees, exorcising the evil of soaring prices by circulars, fines, and arrests. The situation was indeed incomprehensible, paradoxical, and yet the measures undertaken by the Government served no other purpose than to add to the confusion. Whereas Germany, a food-importing country before the War, managed to live on her home-grown food, Russia, a country predominantly agricultural, found herself on the verge of want and famine, in the midst of plenty. The immediate causes of her economic incapacity, which was growing apace until it assumed the proportions of a national calamity, were variously explained to be the lack of transportation, scarcity, specula-

<sup>47</sup> L. M. Kovalevskaya, *Dorogovizna zhisni* (*The High Cost of Living*), Moscow, 1917.

<sup>48</sup> Balabanov, *loc. cit.*, pp. 191-192.

<sup>49</sup> S. N. Prokopovich, *Voina i narodnoe khozyaistvo* (*The War and National Economy*), Moscow, 1916, p. 148; Balabanov, *loc. cit.*, p. 194.



tion, industrial backwardness, and the mobilization of millions to meet the attacks of a swifter enemy. But the true deep-reaching explanation lay in the old anomalies of Russian industrial organization, in the great distances which separated industrial districts from their sources of raw materials, food, and fuel, anomalies which the student of history might trace to the early autocratic policy of planting industrial centers far removed from the sources of raw materials and markets; and secondly, in the persistent failure of political authorities to formulate and establish a unified system of production and distribution.

Like every other country, Russia was compelled by the exigencies of war to undertake all sorts of regulation and control with all the incidents of infringement on the established sanctity and inviolability of private interest and property. Government regulation was at first inadequate, partly owing to the lack of a central unified program, official incompetence, and long delay, and partly to the low state of civic consciousness among the masses and their general distrust of the Government. Almost at the outbreak of the War, in August of 1914, the joint conference of the Committee of Rural Associations and of representatives of coöperation, meeting at Moscow, passed resolutions to petition the Government in favor of formal recognition of the coöperative societies and the removal of all legal restraints in pursuit of their normal business and educational activities. With characteristic foresight the Conference pointed out the urgent national need to coördinate the work of distribution and supply, and it claimed the right and freedom to organize in coöperative unions in order to strengthen the power of the movement of combating high prices and speculation.<sup>50</sup> But the appeal was ignored. Then again, in the summer of 1915, in the face of economic dislocations and military defeat, the Union of Towns brought together a special conference at Moscow with the object of devising ways and means of meeting the food situation. This conference was attended by a number of social organizations, including also the representatives of the coöperative movement. The conference urged upon the Government the formation of a special food control commission which would include the representatives of local municipal authorities, the coöperative movement, and the trade unions. It was at this time that the rep-

<sup>50</sup> K. Pazhitnov, *The Fiftieth Anniversary of Russian Coöperation*, in *Sovremenny Mir*, October, 1915, pp. 116-117.



representatives of coöperation addressed the conference in the name of 35,000 societies, and resolutions were passed urging the unity and coördination of all the social forces in the country, the granting of complete freedom of action to the coöperatives, and the introduction of special legislation legalizing coöperative unions and congresses.<sup>51</sup>

The Government remained indifferent, hostile, and not one of the resolutions passed by the conference received its attention or approval. On the contrary, the bureaucracy continued to interfere with the independent work of local organizations, and expressly prohibited all future congresses. The Russian press was forbidden to discuss or print news having any reference to the growing economic crisis, and coöperative periodicals were actually suppressed for ignoring the new ruling. Throwing official sanction and formalities to the wind, the coöperative societies decided on a bold stroke and organized a national Central Coöperative Committee, in order to consolidate their work and to join hands openly with other democratic agencies working to arrest economic chaos and political dissatisfaction. But the Government, in the person of the Minister of the Interior, A. N. Khvostov, suppressed the Committee as soon as it was set up, on November 3, 1915, and instituted proceedings against its members charging them with the crime of having "knowingly joined a secret prohibited society."<sup>52</sup> The act was justified on the ground that the Committee had not secured a charter of incorporation beforehand, which the Minister promised to approve if it first submitted to the authorities the articles of association. In reality the Committee remained closed for any form of work until the coming of the Revolution.

The authorities persisted in their policies of hostility and repression. In July, 1916, the Department of Police, in a confidential memorandum prepared on the political situation in the country, looked on the economic activities of the coöperative societies, and the "leading importance" acquired by them, as revolution incarnate:

Very great importance in the work of revolutionizing the country and organizing the masses, and especially the peasants, attaches to the coöperative movement. Its revolutionary work has naturally originated out of the campaign against the high cost of living, and has then been artificially expanded to enormous dimensions by the efforts of the most

<sup>51</sup> *The Russian Coöperator*, February, 1917, p. 54.

<sup>52</sup> *Ibid.*, July, 1917, p. 124.

active and prominent leaders of the revolutionary parties. . . . But the greatest danger of this movement consists in the fact that its leaders have directed all their attention to the peasants. The ringleaders of the coöperative movement, such as Chaikovsky, the social-democrat Prokovieh, and the constitutional-democrat Prince Dimitri Shakhovskoi, are conscious that if the movement can win over the peasant masses they will be in position in many cases to dictate their terms to the Government.<sup>53</sup>

In this poisonous atmosphere surcharged with hate, blindness, and fear there remained no other issue for the coöperative societies save unremitting toil in the larger interests of the people, with the means and resources available at the moment. Decrees and prohibitions did not stay the work for social amelioration carried on by the coöperative agencies. The movement had taken too deep a root in the life of the country, touching it at all the vital points of exchange and distribution, to be ignored and pushed aside by irresponsible powers. Notwithstanding legal inhibitions surrounding the activities of the consumers' societies, the movement grew at a phenomenal rate. It seemed like an elemental organic process of organization and consolidation for defense, in the face of imminent economic and political collapse, as though the forces of social survival were engaged in building up a new economic bulwark against the forces of destruction. An important step toward centralization was taken at the Moscow conference of June, 1915, when representatives of thirty-six district unions met with the view of reorganizing the Moscow Union of Consumers' Societies on the lines of a national wholesale federation. There were toward the end of 1916 approximately 230 "illegal" coöperative unions in Russia operating on the basis of mutual oral agreements, without the special sanction of the Government, and naturally having no validity at law for the enforcement of contracts.<sup>54</sup> The appeals of these unions to the authorities for incorporation by charter remained unanswered.

Meanwhile, the action of the Government in solving the food problem presented a spectacle of official inefficiency and corruption. For a long time the work of food control was divided between the Ministry of the Interior and the Ministry of Agriculture. Only at the beginning of 1917 was the whole problem of supply both for the army and the civilian population finally lodged with the Ministry of Agricul-

<sup>53</sup> *Ibid.*, January, 1919, p. 9.

<sup>54</sup> *Ibid.*, December, 1916, p. 10.

ture. Fixed prices prevailed for the principal articles of food. The country was divided into "producing" and "consuming" provinces—those which normally produced in quantities greater than local requirements, and those which depended on other sections of the country to make good their deficiency. Each surplus-producing province was required to supply a fixed quantity of grain and other products to be distributed in provinces lacking in food, but they were arbitrarily fixed for each province without serious preliminary study.

All matters of transport and distribution of supplies between provinces and towns were left to the arbitrary acts of local commissioners and agents who exercised a sort of grain monopoly, careless of the needs of the civilian population and openly provoking the discontent of the masses. The special report of the Union of Towns made in January, 1917, covering fifty-one cities in European Russia, expressed the powerlessness of non-official organizations before the irresponsible and tyrannous acts of the Government's commissioners. "We can only distribute to the population what they see fit to allow us," the report complained.<sup>55</sup> There was no coördination of work between local commissioners who often acted at cross-purposes within the same region, not infrequently seizing by force the consignments of food coming through their territories, and often ignoring the orders of the central Government. Examples of official stupidity, absolutism, and chicane are seen in the acts of commissioners who withheld their approvals for the shipment of food, or did not know whether they had to supply food to certain regions, or even prohibited the movement of supplies within the boundaries of the same province. Thus, Simferopol and Nizhni-Novgorod experienced real famine although the country surrounding them had plenty of food. Food was also arbitrarily withheld from other towns, as Tambov and Penza. In Vyazma even the military hospitals could not obtain any bread. The supplies of Orel amounted to only 25 per cent of the normal. All kinds of queues were springing up in the towns,—bread, flour, meat, and kerosene "lines." The villages were without sugar, kerosene, cotton goods, or nails. Towns were thrown into darkness for weeks and months. The absence of fuel forced the suspension of work in many factories and public service utilities. While flour mills were without corn to grind, it was being delivered or held at certain junctions where there was no real need for it. The meat prepared in

<sup>55</sup> *The Russian Coöperator*, September, 1917, p. 158.



Siberia and Central Asia was perishing for want of transportation. The Siberian Union of Creamery Associations had large supplies of butter at 0.7 rubles a pound which it could not sell locally, when in Petrograd the market price stood at 4.5 rubles.<sup>56</sup>

Under such conditions the grain monopoly introduced in November of 1916 resulted in no real improvement. What produce the Government agencies could assemble they were not always able to transport. In February, 1917, the army received only 53 per cent of its grain requirements, 20,318 carloads out of 38,316 called for; the cities received 13,927 out of 54,390 carloads, or 25 per cent. In February, Moscow had a flour supply sufficient for one and one-half days only, meat for four days, sugar for one week, and no oats for horses.<sup>57</sup>

Hardly had the old régime passed away when the Central Coöperative Committee resumed its work. Its first act was the convocation of an All-Russian Coöperative Congress in order to consolidate the ranks of the movement and to establish a national executive council. It was an act of highest patriotism in the confusion and tension of the moment. The Congress took place in Moscow, April 19-22, 1917, on the premises of the People's University of Shanyavsky. It brought together over seven hundred delegates representing the administrative personnel of the central organizations only, having the right to speak in the name of some 35,000 affiliated coöperative organizations. With this congress the short-lived Central Coöperative Committee came to an end, and was replaced by the Council of the All-Russian Coöperative Congresses, as the delegated authority of the entire coöperative movement in all its dealings with the Government, civic authorities, and other institutions at home and abroad. A great many coöperators took an active part in the overthrow of the old régime. The first revolutionary administrative council of the province and city of Moscow had fifteen representatives, the liberal professions, labor, and coöperation being equally represented. In the villages the coöperative associations were the rallying points of the new political order. The Revolution was a period of national democratic birth, and the coöperatives threw themselves with increased vigor and fervor into the work of economic and social organization. In every department of social endeavor, in every town and village, in numberless conferences, councils, committees, the leaders of the co-

<sup>56</sup> *Ibid.*, April, 1917, p. 81.

<sup>57</sup> Balabanov, *loc. cit.*, pp. 190-191.



operative movement were found absorbed in the work of shaping the future of a liberated people, to save them from the morass of economic and political chaos. It was a moment calling for the coördination of the scattered forces of the movement. For the first time it had the right of other corporate bodies and a legal existence; for the first time it could openly take part in political and economic reconstruction.

The food problem was the first and of utmost importance, the sorest problem bequeathed by the dethroned autocracy. The Minister of Agriculture, M. Shingarev, appeared in person in the sessions of the All-Russian Coöperative Congress with a fervent appeal for help. Let "the great army of industrial ants," he called on the coöperatives, "take upon their broad and powerful shoulders the heavy burden" of organizing the food supply of the country, draw to themselves every single peasant who has a surplus in his possession, and save the country from utter collapse. In return the Government promised to give to the villages whatever they needed of agricultural implements, fuel, cloth, and other requirements.<sup>58</sup> "The greatest burden of our food supply must fall on the coöperatives," he reiterated, in a speech before the representatives of the Union of Towns meeting at the same time.<sup>59</sup> The Government introduced a monopoly in the grain trade, but it depended on the coöperatives to gather the grain for it. It was this national need which brought the coöperative leaders to the support of the Provisional Government and into the current of political life. It was universally realized that the successful organization of the exchange of commodities between town and country would curb directly the forces of anarchy, and that the coöperative movement was after all the only functioning abiding economic institution which had survived in the struggle. Its generous and widespread participation in every kind of social work brought into the movement a practical business outlook and stirred a belief in the genius of the people for industrial democracy. Here was a force which possessed all the requisites for economic rehabilitation; it had command over agricultural produce and raw materials, large accumulations of capital which no other single organization except the Government itself possessed, and a trading machinery represented by about 50,000 various societies scattered throughout the provinces. But the exhausted state of the

<sup>58</sup> *The Russian Coöperator*, May, 1917, p. 94.

<sup>59</sup> A. S. Irisov, *loc. cit.*, p. 20.

country, political strife at home, the blockade, the breakdown of transport, the presence of large mobilized armies, were forces far too elemental and devastating to be checked and held in control by any one organization.

Prominent coöperators were invited to join the Provisional Government. S. N. Prokopovich, chairman of the Council of the All-Russian Coöperative Congresses, became Minister of Trade and Commerce; P. N. Kokolnikov, formerly director of the Statistical Department of the All-Russian Central Union of Consumers' Societies became Assistant Minister of Labor; A. N. Nikitin, legal advisor of the same union, became Minister of Post and Telegraph; and V. N. Zelheim, a member of its board of directors, became Assistant Minister of Agriculture. M. Zelheim became in fact the food controller of the country, and with him were associated other leading coöperators who were entrusted with the special tasks of organizing the food supply of the country. A special food committee was formed, with representatives from the Soviet of Workmen's and Soldiers' Deputies, the Soviet of Peasants' Deputies, coöperative societies, and other public organizations, Zelheim being chairman of the committee.<sup>60</sup>

With the assistance of the coöperative societies and the Union of Towns, the Government at once set itself to the task of solving the problem of transport and distribution of food and other prime necessities. But the people had already by their own unaided efforts begun to solve their difficult problem. Everywhere local food committees were elected, usually with consumers' societies or federations at their head, and these were further united into district and provincial committees, representing all classes of the population, all parties, all public, trade, and professional organizations. The elected chairmen of the provincial committees became automatically the representatives of the Ministry of Agriculture, under the direct control of the Central Food Committee. The various committees were given wide local powers, such as the taking of a census of available food and livestock, the area under cultivation, the collection and forwarding of supplies. The provincial committees could also issue regulations for the requisitioning and delivery of food, fix local prices, and regulate the distribution of supplies. But the heaviest tasks remained to be performed by the coöperatives. The Ministry of Agriculture entrusted them with operations for the supply of the army and cities,

<sup>60</sup> *The Russian Coöperator*, May, 1917, p. 97; August, 1917, p. 139.

the consumers' federations and the credit unions especially being favored for this work because of their means and sound economic organization. At the same time the local and district committees also made use of the coöperatives for the financing of their purchases, and frequently entrusted to them the whole of their operations. The consumers' societies were charged primarily with the distribution of goods. In many cases the coöperative unions by special agreements became responsible for the repair of agricultural machinery, and for its purchase and distribution in the country.

The heroic efforts that were mobilized in the struggle with the food crisis seemed too ineffectual against the forces of economic disintegration and political dissention. The crisis may best be illustrated with the aid of a few facts made public by the Provisional Government. The Ministry of Food Supply had at its command on August 1, 1917, only 26,000,000 puds of grain, and even less at the end of the year. In October the supplies of flour available in Petrograd were sufficient for but seven or eight days. The shortage was universal in all the central and northern provinces, and in the cities of the South. In five months, between March and August, 568 establishments employing 104,372 were closed down for the lack of fuel and raw materials. In Moscow, the average daily wages, in August of 1917, were 515 per cent above the pre-war level of wages,<sup>61</sup> whereas the essential foodstuffs were 566 per cent greater, and other requirements of daily use, like fuel, matches, clothing, etc., over 1,000 per cent above the pre-war level of prices.<sup>62</sup>

In South Russia, according to the Bureau of Labor of the city of Odessa, the cost of a minimum day's food for a workingman's family of four on September 1, 1918, amounted to 12.90 rubles, and on August 1, 1919, to 297.61 rubles, an increase of 23 times. The average monthly increase in the cost of foodstuffs between September 1, 1917, and September 1, 1918, was 17.2 per cent; between the latter date and April 1, 1919, 47.5 per cent; and in the next period of four months, to August 1, 1919, the average monthly increases amounted to 108.3 per cent.<sup>63</sup> Such were the results of the progressive devaluation of the paper currency, combined with other factors of an eco-

<sup>61</sup> Balabanov, *loc. cit.*, pp. 232, 233-234. Quoted from the report of the Moscow Labor Exchange and the Central Bureau of Conciliation.

<sup>62</sup> Balabanov, *loc. cit.*, pp. 233-234.

<sup>63</sup> *Izvestia Centrosoyusa*, Vladivostok, February 1, 1920, pp. 27-28.



conomic and political character. Needless to say that no workingman's family, whether at Moscow or Odessa, had the earning power to purchase the day's minimum in foodstuffs, let alone the requirements of manufacture; and that no coöperative organization had the power to combat the evil forces driving Russia to her economic collapse.

What influence did the consumers' societies have on the level of prices? Not a great effect if one would measure them in historical perspective against the background of all things Russian. The consumers' coöperative system was young and unformed on the eve of the War, without freedom of action and organization under the monarchy. Yet it had a steadying influence on market prices in the first and second years of the War, before the scarcity of goods and the inflation of the currency had finally demoralized the price structure of the market. The advent of coöperative societies was everywhere accompanied by a drop in prices; the surveys made in the provinces of Perm, Kiev, Moscow, and other regions showed that the presence of coöperative competition had the tendency to decrease the prices on various products from 5 to 40 per cent. The coöperative store defeated the private dealer because it supplied better goods on better terms at better prices. The difference was especially great in regions remote from large markets.

The effectiveness of coöperative organization in combating high prices may be illustrated by the following table, which shows the average prices, in rubles, charged in the province of Archangel by coöperative and private stores, respectively, in July, 1918:<sup>64</sup>

	<i>Coöperative price (in rubles)</i>	<i>Private price</i>
Flour (pud)	13.21	49.31
Rice (funt)*	1.33	4.50
Butter (funt)	7.62	9.66
Sugar (funt)	1.48	23.57
Tea (funt)	11.08	20.00
Nails (funt)	1.47	2.46
Cotton goods	2.12	4.50

\* One *funt* = 0.9 lb.

Goods in private and speculative hands sold two to three times as high as in the coöperatives, while sugar—a scarce commodity then—

<sup>64</sup> *Tovarishcheskoye Delo*, No. 19-20, 1918, p. 5.



sixteen times as high, notwithstanding the merciless war declared by the Soviets against middlemen speculators.

Local examples of this sort could be indefinitely multiplied. They make it clear that the consumers' store was cheaper than private trade, and that the coöperative was esteemed because it did not speculate in food. They reveal, moreover, the uncontroverted fact of the innate vigor and the efficiency of the movement and its popularity with the masses of peasants and workers; how without the established practices of competitive salesmanship intended to stimulate desire and to deflect individual choice, without the practices of adulteration and debasement of goods, short weight, and short measure, the coöperative store has succeeded because of the efficiency of its distributive methods and its plan of passing every gain and advantage to the consumer and citizen. Even when the average Russian suffered from the lack or shortage of goods in the market, a condition beyond the power of consumers' coöperation to remedy, he remembered gratefully that if it was at all possible to secure the things he sorely needed, anywhere, at a reasonable price, the place was the coöperative store. Without a doubt, the work of coöperation for economic and social amelioration was great and historically significant. Still, only the unguarded and the uncritical will venture to draw broad conclusions about the total effect of coöperation upon national economic life or on private trade itself. For it is a self-evident truth that a distributive system, be it coöperative and social in its motives, does not ordinarily possess the powers of defining and directing the forces of economic organization and work; and the times were not ordinary. Every step in the process of economic disorganization also weakened the effect of coöperation on speculative trade, which no breeding of new coöperative associations could stay. By the very nature of its functions and its internal organization, distributive coöperation was too inadequate for the heavy tasks thrust upon it by historical circumstance. Politics was in the saddle, and every new authority, with its numberless supply committees and regulating agencies bending the coöperative system to their will, only served to deprive the movement of its fundamental principles of independence and democracy. Politics desired the organization, the system with its network of working societies, but not its basic principles of voluntary association and economic independence. Yet this may be confidently asserted, that had the coöperative movement

enjoyed the freedom of unhampered development before the War, or had the old régime provided the opportunity of orderly growth and organization and work in time of war, and had the governing powers brought together every living agency for the national task of economic planning and coördination,—the coöperative societies would have rendered a service far more competent, precious, and ultimate in its social effects, than the history of war-time Russia has recorded.

## CHAPTER IV

### UNIONS AND FEDERATIONS OF CONSUMERS

#### *A Classification of Consumers' Unions.*

THE unions and federations of consumers' coöperation may for practical purposes be divided into three groups, according to the form of their organization and to the extent of the territory covered. In the first group were amalgamations of primary societies, the local or district unions. The ideal local union was one extending its jurisdiction over a few *uezds* (administrative divisions of a province). It was not a matter of political demarcation, but of transportation and warehousing facilities, central markets, and other factors of economic gravitation. But the ideal of a working organization of a district union was not the sole determining factor under the abnormal conditions of War and Revolution. There were local unions covering a single *uezd* or more denominated as "small district" unions, and some even less than an *uezd* in extent or "*uezd*" unions. In the same group were included the city unions, for in common with the other local types they represented combinations of primary consumers' societies for wholesale trade.

The second group of the classification embraced the regional unions, known in Russian practice as "large district" unions. They normally represented two or more contiguous provinces, in whole or in part, while a union not extending beyond the limits of a single province was separately styled as a "provincial" union. In the third group were the territorial or central wholesale federations, like those of Siberia or of South Russia.

The membership of every kind of a local union consisted of primary coöperatives, and they were therefore described as organizations of the "second order." The regional and territorial unions were generally composed of district, small district, *uezd*, and city consumers' amalgamations, and whether regional or territorial, a union of autonomous unions was designated as an organization of the "third order." In a class apart was the national federation of consumers, the *Centrosoyus*, a union of the "fourth order," with a membership made up chiefly of regional and territorial unions and of some district

unions of large size and particular importance. However, primary societies having 10,000 member-shareholders or more were granted the right of independent and direct affiliation with a central union or federation.

The consumers' unions were also classified on a functional basis as "pure" and "mixed" organizations. A "pure" consumers' union was in the character of its operations distributive only, either with a membership of consumers' societies wholly or including a small element of credit and producers' coöperatives. A "mixed" consumers' union was a non-specialized organization combining marketing or credit functions along with its supply operations, provided only the contingent of agricultural and credit coöperatives did not exceed one-half of the combined membership. The matter of coöperative purity was bound up with the progress of economic specialization and business-like organization. It was the group of small district unions which contained the largest element of mixed coöperatives and functions, but not infrequently the regional federations included in their membership or among their functions a non-distributive economic interest.

In making application for membership in a district union, the local society was required to present a certified copy of its by-laws, a report of its activities, a copy of the auditor's report, and a statement of the work planned for the current year. The society was then called upon to contribute to the share capital of the union on a basis of three to ten, rarely more, rubles for every associated member. In relation to the union, the liability of the member societies was generally fixed at five to ten times the amount of their shareholding, and sometimes the pledge extended to their properties as well. A similar procedure marked the condition of membership of the district union in the regional, territorial, or national federation.

The unions aimed to arrange trade credit for their members, they endorsed their bills for discount in the local banks and commercial firms. It was assumed, in the absence of a binding contract, that the member organizations would make their wholesale purchases through their union, except for goods available in the local markets, in so far as it was practical. This indefinite arrangement worked, because of the advantages of better prices and fairer terms of credit, particularly in the case of the local societies which also benefited through the union's technical, audit, and educational activities. The governing



body of the union was the assembly of delegates elected by the member societies.

*The Progress of Unification.*

The first beginnings in confederating consumers' organizations in Russia ended in failure and dissolution. The early wholesale unions set up in St. Petersburg in 1900, and in Kiev, in 1907, failed because of insufficient capital, the lack of coöperative loyalty, and local particularism which kept them apart from the existing central federation at Moscow. Quick disaster was also the fate of the young unions established in the regions of the Kuban and the Caucasus. Yet these inauspicious examples did not fully explain the slow emergence of wholesale coöperation, or the existence of only ten consumers' unions in 1914. The main cause of their retarded growth was artificial in character, the result of administrative opposition and the absence of favorable legislation, and were it not for that fact, the number of consumers' unions would have exceeded one hundred—coördinated and far-reaching in their national organization and work. But it required three to seven years of petitioning and waiting before the Ministry of the Interior would consent to approve the articles of incorporation of a proposed union. The group of Ekaterinburg coöperative delegates, who formed in 1900 a regional wholesale union, did not see their union officially sanctioned until May, 1915, after they presented no less than ten petitions. Coöperative unions did not grow, M. Malakhov said of their condition before the War; "they drilled their way through the iron mantle of the autocracy."

Lacking permissive legislation and legal recognition, consumers' coöperatives in many parts of the country combined their efforts for common wholesale operations by the means of a simple notarial agreement, to act together as informal trade associations, without the rights and privileges of corporate bodies before the law. The practice was general in the case of local unions acting within a limited territory, but it was the form assumed also by regional organizations, such as the Association of Consumers' Societies of South Russia, formed at Kharkov in 1912, and the Bureau of Mutual Wholesale Trade of the Ural, at Ekaterinburg. The Government denounced these informal wholesale unions as "illegal" and as "contrary to the interests of the State"—this in 1915 and at a time of rising prices and wild profiteering. The coöperative press was under

government censure, especially all articles relating to the state of supply, and even ordinary business meetings came under police surveillance. It became increasingly difficult to hold delegates' meetings, and in December of 1916 the Government abrogated the right of convening a coöperative congress of any kind. Still no informal union was actually persecuted or suppressed, though their normal development was artificially held in check. It has been asserted that at the end of 1916 the number of these non-incorporated combinations reached the figure of 230. The Government finally abandoned its policy of opposition and gave legal sanction to a score of unions. But the need of ever new coöperative federations was always greater than the willingness of the authorities to grant them legal countenance, with the result that the number of illegal unions far outran those which were regularly constituted.

The number of consumers' unions was established in the survey

*The Development of Consumers' Unions, 1898 to August, 1919.<sup>1</sup>*

	<i>Total</i>		<i>"Pure" unions</i>		<i>"Mixed" unions</i>		<i>Undefined</i>	
	<i>Num- ber</i>	<i>Per- centage</i>	<i>Num- ber</i>	<i>Per- centage</i>	<i>Num- ber</i>	<i>Per- centage</i>	<i>Num- ber</i>	<i>Per- centage</i>
1898	1	0.1	1	0.3	—	—	—	—
1903	1	0.1	—	—	—	—	1	0.4
1907	1	0.1	—	—	—	—	1	0.4
1910	2	0.3	2	0.6	—	—	—	—
1911	3	0.4	1	0.3	—	—	2	0.9
1912	9	1.3	5	1.5	—	—	4	1.8
1913	8	1.2	2	0.6	1	0.8	5	2.2
1914	17	2.5	8	2.4	6	4.7	3	1.3
1915	47	6.9	9	2.7	24	18.8	14	6.2
1916	138	20.2	60	18.3	38	29.7	40	17.7
1917	207	30.4	117	35.7	38	29.7	52	23
1918*	95	14	57	17.4	10	7.8	28	12.4
Unknown	153	22.5	66	20.2	11	8.5	76	33.7
	682	100	328	100	128	100	226	100

\* Data for 1918 included all unions formed to the time of the survey of August 1, 1919.

carried out by the Council of All-Russian Coöperative Congresses. More than 94 per cent of the unions in existence in August of 1919 dated their organization from the time of the War, according to the

<sup>1</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, table 41, p. 59.

publication of the Council, *Soyusy Kooperativov Rossii* (*The Unions of Coöperatives in Russia*).

The number of primary societies federated by the unions was 114, on the average, thousands of them holding membership in two or more unions at once. The 426 operating unions, at the end of 1917, affiliated between 18,000 and 20,000 societies with a total of about 8,000,000 members.

The crest of the consumers' confederative movement was reached in the course of the revolutionary year in 1917 with the formation of 207 unions. There was hardly a province in Russia without a consumers' union: twenty-seven provinces had five unions each or less, twenty-one counted between 6 and 10 unions, six had between 11 and 15, seven had 16 to 20 unions, and eight provinces numbered over 20 unions.<sup>2</sup> The Ukraine, the central industrial, and central agricultural regions were richly supplied with consumers' unions; in other regions the outstanding provinces were those of Petrograd, Perm, and Don. The confederating movement had an aspect of something precipitate and uncontrolled, the unions multiplying under the pressure of the primary coöperatives without regard to principles of effective organization. In the eight provinces of South Russia, in the jurisdiction of the *Poyur* federation, there was one union at the beginning of 1915, 3 in 1916, 12 in 1917, 90 in 1918, and 130 in 1919, which then included in their membership 9,646 of the 10,765 consumers' societies, or 89.6 per cent of the total.<sup>3</sup>

The process of unification on a nation-wide scale, without the for-

<sup>2</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, table 42, pp. 60-67. The leading provinces in union organizations were the following eight (data of March 1, 1918, taken from *Soyus Potrebitelei*, No. 26, 1918, pp. 18-21):

	August 1, 1919	March 1, 1918
Petrograd	39	31
Moscow	27	20
Perm	21	8
Tver	23	17
Kiev	29	11
Podolia	24	19
Kharkov	42	29
Don	23	15

<sup>3</sup> *Ibid.*, tables 64 and 66, pp. 107, 108. The distribution of the 130 unions by types was as follows: Small district, 67; district unions, 54; regional and provincial, 6; central federations, 3. The prevalent type was the union of the "second order."



mer official hindrances, was new in the experience of Russian coöperation, and it was inevitable that every section of the country should be clamorous for a union of its own. The Revolution with its spirit of intense sectionalism and self-determination added more earnestness and more heat to the movement, and the growing shortage of supplies bred rivalry and conflict. New coöperatives were springing up by the thousands, intent on serving their members and on being served in the markets of the country in a wholesale way. But the central unions could not satisfy their rapidly increasing numbers, and so the fear of economic isolation at a time of national dearth constrained them to form new combinations. Also, the state food control committees were organized to operate strictly within the administrative boundaries of province, county, and city. It is unequivocal, then, that the period of civil warfare, monopoly, and general disintegration of the national economy was not a time for theoretic definition, functional limitation, or strict attention to structural details. The times called insistently for quick action and work. Town and country were at the mercy of profiteering and speculation by producers and middlemen, hungry and lacking in most things; worker and peasant were torn by their cumulative political and social ignorance, victims of propaganda, forced to make new and unaccustomed decisions. Every activity then seemed legitimate, almost to every combination and union, for the peasant was essentially a producer, and no local union could properly serve his interests as a consumer of factory-made commodities without taking into consideration his interests as a seller of foodstuffs and as a user of credit; the principle was true also of the small artisan of the town, village, or remote settlement. The local leaders readily became adherents of the idea of the integral or mixed union, and without misgivings or scrupulous inquiry they carried their loyalty to the idea of a regional and territorial wholesale federation, also integral in character, as opposed to the central national federation. Similarly, each union was passionately convinced of the feasibility and permanent advantage of union-operated and union-owned productive enterprises, including invariably certain educational and promotive activities.

The ultimate consequence of these economic and political forces was mirrored in the size and composition of the consumers' unions. The dominant type was the small-district organization, defined as one having a membership of less than 50 societies. On March 1, 1918,



this group was represented by 251, or 50.2 per cent of the 514 existing consumers' unions. In the next group were the 193 district unions, or 36.6 per cent of the total, unions with a membership between 50 and 175 societies. Regional and provincial unions, counting 176 to 600 member societies, numbered 60, or 11.2 per cent. The last group, affiliating over 600 primary societies, consisted of 10 central and territorial federations, or 2 per cent of the total.<sup>4</sup> The later survey of August, 1919, showed a decline in the relative position of the small district unions. The following table summarizes the distribution of the 505 reporting unions, with their 57,406 directly or indirectly affiliated societies, according to certain group classifications.

*Extent of Membership in Consumers' Unions, August, 1919.<sup>5</sup>*

<i>Membership groups</i>	<i>Unions in each group</i>		<i>Societies in each group</i>	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Under 26	101	20.0	1,455	2.5
26- 50	93	18.4	3,569	6.2
51-100	125	24.8	9,327	16.2
101-150	75	14.9	9,272	16.2
151-200	41	8.1	7,009	12.2
201-300	38	7.5	9,263	16.1
301-400	9	1.8	2,995	5.2
401-600	12	2.4	5,623	9.8
601-800	7	1.4	5,159	9.0
Over 800	4	0.7	3,734	6.6
Total	505	100	57,406	100

The table above shows that the small district unions, meaning those federating 50 societies or less, numbered 194 or 38.4 per cent of all reporting unions, but they held in their ranks only 8.7 per cent of the coöperatives. (On March 1, 1918, one-half of the unions were of the small-district type.) At the other extreme, 11 central and territorial federations, those counting more than 600 members, embraced 15.6 per cent of the primary coöperatives. It was clear that in less than one and one-half years, the tendency became marked away from the inexpedient small union, and that the greatest relative gains were

<sup>4</sup> *Soyus Potrebitei*, No. 25, 1918, p. 6.

<sup>5</sup> *Potrebitelskaya kooperatsya v tsifrah i diagramakh*, table 43-43a, p. 68.

scored by the district and regional unions, especially the groups numbering between 100 and 600 member societies.

Alongside the small-district type of union organization was the complementary fact of the non-specialized union with varied functions. However, even in the "mixed" union the contingent of consumers' societies was very strong,—87.7 per cent of the federated members,—indicating that the non-distributive business operations for the account of producers' and credit coöperatives were proportionately small. In the "pure" consumers' union the proportion of non-consumer coöperatives was extremely low, only 2.3 per cent of the affiliated membership.

*Consumer Contingent in Various Unions.<sup>6</sup>*

	<i>Pure unions</i>	<i>Mixed unions</i>	<i>Undefined</i>	<i>Total</i>
Unions reporting	256	126	123	505
Membership federated	29,956	15,354	12,096	57,406
Membership per cent	52.2	26.7	21.1	100
Membership included:				
Consumers' societies	29,263	13,458	—	—
Per cent	97.7	87.7	—	—
Other societies	693	1,896	—	—
Per cent	2.3	12.3	—	—

Certainly, even toward the end of 1919, there was a disproportionate number of small consumers' unions in the field. The movement was altogether too decentralized and inexpedient from the standpoint of economic effectiveness. It was anomalous to behold goods passing through two, three, and sometimes four, links of coöperative organizations before reaching the ultimate consumer. The Revolution had almost eliminated the centralized form, and instead of the three-order system—primary coöperative, district union, and the *Centrosoyus*—there came into being the four-order system, the regional or territorial union interposing itself between the district union and the *Centrosoyus*, contending the primacy of the one national federation and ambitious to supplant it in the territory of its operations.

<sup>6</sup> *Ibid.*, pp. 66-67. (The so-called "mixed" union was principally mixed in membership, not in functions. The percentage of unions mixed both in membership and functions was only 16.8 in March, 1918.)

The experienced old leaders of coöperation looked askance at the scattering of energies and the waste of means that were bound up with decentralization, local particularism, and integral coöperation, and they struggled valiantly to preserve unity and coördination in the ranks of the movement, defining the right limits of autonomy and contending for specialization and concerted action. A large number of conferences and congresses were brought together—provincial, regional, and national in scope—for the discussion of the various problems confronting the movement, and the Council of All-Russian Coöperative Congresses was established as a permanent institution in order to maintain the unity of the system intact. But notwithstanding decentralization and overlapping in organization and function, a condition to an extent unescapable then, it were premature to conclude that there was no order or agreement in the confusion of the moment. On the whole the principle of organization promoted by the *Centrosoyus* had won, for it demonstrated its soundness in living examples, though temporarily the want of the hour had blinded many to its economic validity. The *Centrosoyus* federation and the best trained coöperative leaders and thinkers favored the moderately-sized compact form of regional union, the large-district formation, as the working organization of the “second order” federating the primary consumers’ coöperatives within its economic territory, and serving as the link between them and the national federation. The primary coöperatives were to be permitted to hold membership in a number of unions for various purposes dictated by local needs, whether of consumption, marketing, credit, or insurance; thereby sacrificing no local interest, and at the same time conserving the advantages of such specialized services which a wholesale regional union stood in a position to give. It was generally believed that the existence of small district unions with their overlapping regional federations was a phenomenon of extreme sectionalism, or, more fundamentally, the result of market scarcity, lowered production, and interrupted communication and exchange; a temporary abnormality that was bound to disappear with the economic restoration of the country.

The predisposition of the consumers’ unions to affiliate themselves with the national *Centrosoyus* federation was evident in the census of March 1, 1918. At that time 285 of the 514 existing unions, or 56 per cent, were members of the *Centrosoyus*, in spite of the fact that 126 consumers’ unions of the Ukraine, Ural, and North Caucasus



were in territories of military operations and precluded from active membership.

*District and Regional Unions.*

In the following pages a few characteristic unions of consumers' societies will be described. The history of their development, their organization, and the nature of their functions make them typical of the district and regional unions of the country during the War and Revolution.

An illustration of a district union of the "mixed" type, in membership and in functions, was the Cherepovets Union of Consumers' Societies, in the province of Pskov, organized on November 1, 1915. At the end of 1916 it was constituted of 355 coöperatives, exhibiting a faithful cross-section of the economic interests of the district, namely: consumers' societies, 228; dairy associations, 103; credit co-operatives, 12; agricultural, 5; boot-making associations, 4; blacksmiths' associations, 3. Two-thirds of the membership was represented by consumers' societies. In the balance sheet totaling 1,700,876 rubles, merchandise on hand and current accounts receivable were represented on the side of the assets by 1,468,928 rubles, thus showing a liquid business condition; among the liabilities, accounts payable were 1,499,977 rubles, and the owned capital stood at a rather low figure of 55,127 rubles forming 3.25 per cent of all liabilities. Approximately one-half of the owned capital was accounted for by reserve and special funds contributed from the net earnings. The union was engaged in supply operations and in the marketing of various products for the account of its member societies. The turnover for 1916 was 6,046,089 rubles. The gross income was 247,312 rubles, or 4.1 per cent, and the net was 94,953 rubles, or 1.56 per cent of the turnover; the ratio of gross expenses was therefore 2.54 per cent. Of the net profits, the delegates' meeting voted to assign 42,200 rubles to various charitable, educational, and social welfare causes.<sup>7</sup> The union also operated a printing press, a bookstore, a number of distributive stores and warehouses, a small electric power plant, and various other properties.

In the case of Vologda, a strongly federated consumers' union of regional expanse rose out of an environment unfavorable to functional specialization. In that northern province of widely-scattered

<sup>7</sup> *Soyus Potrebitelei*, No. 13, 1918, pp. 36-38.



and isolated small communities, consumers' and producers' interests were equally balanced, so that in some remote localities even the primary coöperatives were "mixed" in their functions. The small district unions, with very few exceptions, were under necessity to undertake a variety of economic functions for supply and marketing. Thus the province had in 1917-1918 fourteen consumer-agricultural unions, but only one credit and one forest workers' union. In order to consolidate their common interests, the Vologda Central Agricultural Society, a non-commercial coöperative institution, set up a trade department which later became reorganized as the Union of Northern Coöperative Unions, the *Severosoyus*. It was a central regional union for wholesale operations. Through its district unions, it federated in 1917 over 1,000 local coöperatives with 250,000 member shareholders, and its turnover exceeded 25,000,000 rubles.<sup>8</sup> In the first half of 1918, the gross sales reached the sum 60,000,000 rubles.<sup>9</sup>

A true type of a provincial consumers' union was the Voronezh Union of Consumers' Societies. It was legally registered in October, 1917, with 36 member societies, after one year's existence as an informal association executing the orders of a restricted number of consumers' coöperatives in the city of Voronezh. Energetically the union set out to coördinate the wholesale coöperative supply business of the province. By July 1, 1918, it counted 435 member societies; included in this membership were a few small-district consumers' unions, bringing up the total number of affiliated consumers' societies to 700, or two-thirds of the total found in the province. The owned capital of the union was then 246,000 rubles, and its trade indebtedness, 1,627,138 rubles,<sup>10</sup> largely credits opened to it by the Moscow Narodny Bank and other coöperative organizations. The work of the Union firmly rested on a strongly confederated system of societies which, in addition to their share capital, carried a supplementary tenfold liability for its financial obligations. The union employed a staff of 32 for educational and statistical work; it published a semi-monthly bulletin dealing with social and coöperative problems; it organized short-term courses, lectures, cottage libraries, and contributed from its earnings to the University of Voronezh and to the work of various coöperative committees and congresses.

<sup>8</sup> *Soyus Potrebitelei*, No. 26, 1918, p. 18.

<sup>9</sup> *Ibid.*, No. 36, 1918, p. 52.

<sup>10</sup> *Ibid.*, No. 29-30, 1918, pp. 53-54.

It was characteristic of the great majority of the provincial and regional unions of Russia that they were organized without legal sanction during the War, mostly in 1916, like some underground associations, for the relief of the disunited and inexperienced local coöperatives suffering in the midst of speculative markets. They were compelled then, from the moment of their official registration, usually sometime during 1917, to expend much time and energy in propaganda and education in order to evolve an organization corresponding to their suddenly inflated membership roll. The case of Ryazan was symptomatic of the general situation, for most regions. The province had 115 consumers' societies on January 1, 1915, which swelled to 700 in August of 1918. There was an "unauthorized" union in 1916 which after the Revolution became formally recognized as the Ryazan Union of Consumers' Societies. In nine months its membership increased from 218 to 421 consumers' societies, when it comprised six-tenths of all societies of the province.<sup>11</sup> From the beginning it concentrated its work upon the training of responsible co-operative staffs, it employed instructors in the field to aid the member societies with their bookkeeping and audit, it organized short-term courses, it opened book-stores on the premises of its branches, and a large number of cottage libraries in the small towns and villages.

The two illustrations following, taken from the two outlying ends of the Russian Empire, the Arctic region and the Far East, delineate the development of small-district consumers' unions, at their inception "pure" in their composition and functions, into unions regional in extent and "mixed" in the scope of their operations under the peculiar economic circumstances of the period. The two cases were also characteristic of the general poverty of the consumers' unions in capital resources and their excessively large business consummated on the basis of mutual guarantees and coöperative liabilities.

In March, 1914, a number of consumers' societies in the district of Onega, in the northern province of Archangel, formed a trading association for wholesale purchases. The first year passed in propaganda and organization. By the middle of 1916 the association united 65 consumers' societies, almost one-half of those existing in the province at that time. It outgrew the limits of the district, and it was accordingly decided to change its name to the Archangel Union of

<sup>11</sup> *Ibid.*, No. 36, 1918, pp. 53-55.

Consumers' Societies. The brief table below shows the growth of membership, share capital, and trading operations:<sup>12</sup>

	<i>Number of societies affiliated</i>	<i>Share capital (in rubles)</i>	<i>Turnover</i>
December 31, 1914	34	9,385	116,086
December 31, 1916	90	68,383	1,946,486
December 31, 1917*	270	—	12,000,000
June 30, 1918	369	296,051	22,667,700

\* Data for 1917 inserted, from *Soyus Potrebitelei*, No. 26, 1918, p. 18.

In the space of three and one-half years, the share capital increased 31.5 times, and the gross sales, 198 times. At the end of 1914 the share capital constituted 8.1 per cent of the turnover, in 1916 the ratio decreased to 3.3, and in 1918 it formed only 1.3 per cent of the turnover. In other words, for the first six months of 1918 the turnover was 77 times greater than the whole share capital, while in 1914 the share capital has been "turned over" only 12 times. The wholesale union was dangerously deficient in working capital, while the demand for its goods and services was out of all bounds. To meet the growing scarcity of goods the union entered the field of production in 1918. It possessed a flour mill, a printing shop, a small leather factory, and it also engaged in marketing the products of local handicraft associations. The industrial fund was 750,000 rubles, and the turnover for 1918 reached the sum of 113,000,000 rubles. It built up a highly-organized distributive and purchasing apparatus, and like many other wholesale unions of its class, it devoted part of its profits and energies to the general intellectual enlightenment and the education of the masses. It employed a staff of fourteen instructors in the field, published a monthly journal, and operated a well-stocked book department for the needs of the cottage libraries of the region.

In the Maritime province of the Russian Far East, known as the country of the Amur, the coöperative societies began to appear about 1908. For many years they remained isolated from one another by long distances and the lack of communication. It was not before February of 1916 that the scarcity of goods in the market brought a few leading local societies together for the purpose of organizing a

<sup>12</sup> *Tovarishcheskoye Delo (The Brotherly Cause)*, published by the Archangel Union of Consumers' Societies, Nos. 9-10, 1918, pp. 28-29.



wholesale federation, the Amur Union of Coöperative Societies. It was a "mixed" union, although the consumers' societies predominated in it. At the time of its organization it served forty coöperatives, its membership extending as far as Kamchatka and Sakhalin Island. About October, 1918, it had a membership of 368, including 334 consumers' societies, 16 credit coöperatives, 11 home-industrial associations, 5 agricultural societies, and 2 local coöperative unions.<sup>13</sup> The Amur Union started with a share capital of 1,800 rubles, and after two years, on January 1, 1918, its share capital was 47,267 rubles. In the ten months of 1916 it had a turnover of 3,299,800 rubles, and one of 39,061,000 rubles in 1917.<sup>14</sup> It is impossible to establish the rapidity of the turnover from these scant figures, but that it was very great could be seen at a glance. The Amur Union was in reality conducting its purchasing and distributing operations on borrowed funds, chiefly on credit supplied by the local food committees and the Siberian branch of the Moscow Narodny Bank. The credit of the Union was out of proportion to its share capital or the owned funds; it made the initial mistake of not requiring from its member societies in advance the customary payment of 75 per cent of the value of the goods as a condition of delivery.

The net profits of 1917, which amounted to 180,937 rubles, or less than 0.5 per cent of the turnover, were distributed, after a dividend of 6 per cent on the shares, in the following manner: 50 per cent was assigned to the share capital, 10 per cent to the reserve fund, 10 per cent to members' trade, 20 per cent to educational work, and 5 per cent each toward a building fund and a sanatorium for coöperative workers.<sup>15</sup> Among its own industrial enterprises the Union counted creameries, tobacco works, meat shops, fisheries, etc. In 1916 it published the *Amur Coöperator*, and later the *Veliki Okean* (*The Pacific Ocean*), a popular monthly journal whose pages were crowded with coöperative, economic, political, ethnographical, and literary topics of interest to the population of the Far East. It organized intensive short-term courses in coöperation at the People's University of Vladivostok, and maintained a staff of traveling instructors in the field.

There were also a number of important regional consumers' unions

<sup>13</sup> *Veliki Okean* (*The Pacific Ocean*), October-November, 1918, p. 126.

<sup>14</sup> *Ibid.*, June, 1918, pp. 111-112.

<sup>15</sup> *Ibid.*, August-September, 1918, p. 122.



extending their operations over a few contiguous provinces, and reaching the proportions of territorial federations. In the province of Perm, in the Ural mountains, the original district union founded in 1912 was reorganized as the Northeastern Union of Coöperative Societies. It had a turnover of 5,500,000 rubles in 1916 and a membership of 434 consumers' societies, scattered over the provinces of Perm, Vyatka, Vologda, and Ufa.<sup>16</sup> In 1917 the gross sales of the union were over 15,000,000 rubles, and its affiliated membership of 756 consumers' societies comprised 200,000 shareholders. In the southeast, the Middle Volga Union of Consumers' Societies federated 625 local consumers' coöperatives with their 240,000 shareholders, and showed during 1917 a turnover of 20,000,000 rubles.<sup>17</sup> In the province of Moscow, the aggregate turnover of the district consumers' unions in 1917 was over 200,000,000 rubles, when a movement was set on foot to form a territorial federation extending over the entire group of the central-industrial provinces.

At the head of the regional consumers' unions was the Petrograd Society of Wholesale Supply. Organized in April, 1915, its member societies were soon found in the provinces of Petrograd, Novgorod, Pskov, and Olonets. Its turnover for the nine months of 1915 was 1,827,192 rubles, most of it representing deliveries from its own warehouse, and the rest from trade operations on commission. On January 1, 1916, the wholesale society united 306 consumers' societies and its share capital was then 337,200 rubles. In 1916 the gross sales amounted to 7,625,000 rubles.<sup>18</sup> The Petrograd wholesale union dealt chiefly in flour, cereal grains, groceries, leather and cotton goods, hardware, etc. It published the *Petrograd Coöperator*, and operated a large book department. The expansion in its business was attributed to the food policy of the Provisional Government which entrusted it with the purchase of one-half of the foodstuffs for the population of the city of Petrograd and vicinity. The union had in 1917 a membership of 800 consumers' societies, including 23 small-district unions, thus affiliating 140,000 shareholders; the gross sales of the year reached the sum of 50,000,000 rubles.<sup>19</sup> In the field of education it gained prominence as the founder of the Petrograd In-

<sup>16</sup> *The Russian Coöperator*, October, 1918, p. 172.

<sup>17</sup> *Soyus Potrebitelei*, No. 26, 1918, p. 19.

<sup>18</sup> *The Russian Coöperator*, October, 1918, p. 172. December, 1917, p. 10.

<sup>19</sup> *Soyus Potrebitelei*, No. 26, 1918, p. 18.

stitute of Coöperation for the training of highly qualified men for service in the coöperative movement.

*Territorial Consumers' Federations.*

The central wholesale federations of the territorial type were unions of the "third order," that is, overhead organizations, unions of consumers' unions. The Russian coöperative movement brought six such unions to the surface,—four in the south, in the provinces of Ukraine, one in the southeastern region, and one in Siberia.<sup>20</sup> In a manner, their origin was found in common political conditions of the time, apart from the factors of disintegration of production and exchange affecting the entire coöperative movement. The spirit of sectionalism and self-determination flamed up most violently in South Russia and Siberia. These regions were, moreover, continually invaded and occupied by counter-revolutionary armies, detached by long distances and contending forces from the central markets and the *Centrosoyus* federation. The territorial form of combination was, therefore, a post-revolutionary development, and for the time being it seemed like an enduring principle of coöperative decentralization at work.

The ten provinces of Ukraine<sup>21</sup> contained within their pre-revolutionary boundaries 212 consumers' unions at the end of 1918, of which 201 were district and small-district unions of the various types. The number of provincial and regional organizations was exceedingly small, and yet the proportion of "pure" or specialized consumers' unions was greater in Ukraine than in other parts of Russia or Siberia. On January 1, 1918, two-thirds, or 91 of the 134 unions, were classified as "pure"; on January 1, 1919, about three-fourths, or 152 out of the 212, were in that category.<sup>22</sup>

The Federation of Consumers' Societies of South Russia, known by its abbreviated title as the *Poyur*, started upon its coöperative career as an informally constituted association in February, 1912.

<sup>20</sup> The development of the territorial consumers' federation in Siberia, the *Zakupsbyt*, is treated separately in Chapter V because of its exceptional character from a geographic and economic standpoint.

<sup>21</sup> Volhynia, Podolia, Kiev, Chernigov, Poltava, Kharkov, Ekaterinoslav, Kherson, Taurida, and Don.

<sup>22</sup> *Potrebiteľskaya kooperatsiya na Ukraine za pyat let 1918-1922* (Consumers' Coöperation in Ukraine During Five Years 1918-1922), p. 91.

It was officially registered in the first year of the War as a regional union, but at the end of 1919 it was reorganized as a territorial federation, being then in effect a union of unions. Its principal strength was in the province of Kharkov, where nearly six-tenths of its member societies were found, followed by Ekaterinoslav and Kursk claiming about three-tenths of the membership; the remainder were distributed among the five bordering provinces of Poltava, Voronezh, Taurida, Kherson, and Don, in the districts lying between the rivers Dnieper and Don. In the territories of its operations, it federated on January 1, 1919, 43 per cent of the 127 unions, and by direct and indirect affiliation, 7,264 of the total of 10,486 existing consumers' societies, or 69.3 per cent. The growth of the *Poyur* in membership, owned capital, and gross sales appears in the table subjoined.

*Membership, Capital, and Turnover of the Poyur.*<sup>23</sup>

January 1:	Membership		Owned capital	Share capital (in rubles)	Year's trade
	Societies	Unions			
1913	30	—	1,370	1,370	59,789
1914	62	—	3,473	2,575	202,645
1915	82	—	4,383	3,725	325,462
1916	116	—	15,820	11,430	1,207,723
1917	332	5	372,340	172,248	6,765,164
1918	737	32	1,033,044	663,113	27,897,443
1919	746	55	6,551,106	4,613,504	57,819,469
1920	739	65	45,958,144	36,194,296	305,155,488

Only a fraction of the membership of the *Poyur* was represented by credit and agricultural coöperatives—26 out of a total of 746 in 1919; in the consumers' group, 601 societies, or 83.5 per cent, were rural in type.<sup>24</sup> On its reorganization into a third-order coöperative institution toward the end of 1919, the *Poyur* had 63 member unions and 15 member societies with the right of independent affiliation. From the home office at Kharkov the federation also managed purchasing agencies at Rostov-on-Don, Ekaterinoslav, Odessa, Kiev, Moscow, and Vladivostok.

Considered in pre-war gold rubles, the gross turnover of the *Poyur* was, in round figures, 6,183,000 rubles in 1917, which then declined to 2,890,000 rubles in 1918, and 3,051,000 rubles in 1919. These figures indicate also the falling absolute value of the trade transac-

<sup>23</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, table 75, p. 115.

<sup>24</sup> *Ibid.*, p. 117, 119.

tions in terms of dealings with member societies and unions, for although the number of affiliated unions increased in the course of three years, the ability of the federation to supply their wants had apparently decreased. Matters became even worse in 1920, when the gross sales of the *Poyur* for the first half of the year amounted to 60,000,000 current rubles, or 300,000 pre-war rubles.

The *Poyur* federation acquired a number of productive plants for the manufacture of soap, footwear, paper supplies, building brick, vegetable oil; also fruit-drying, tea and coffee processing establishments, and a printing press. In 1916 its productive departments accounted for 3.8 per cent of the business turnover; the ratio increased to 7.4 in 1917, and to 8.5 per cent in 1918.<sup>25</sup>

The following table shows the financial condition of the federation, as it appeared in the proportional distribution of its various assets and liabilities between 1918 and the time of its liquidation on July 1, 1920.

*The Balance Sheet of the Poyur in 1918-1920.*<sup>26</sup>

	January 1, 1918	January 1, 1919	January 1, 1920	July 1, 1920
Total in current rubles	22,695,780	36,484,072	207,900,387	331,341,034
Same in pre-war rubles	5,043,508	1,824,203	2,079,003	1,656,705
	Percentage	Percentage	Percentage	Percentage
<i>Assets:</i>				
Cash account	4.6	2.7	2.2	2.1
Merchandise	26.6	21.0	31.9	8.9
Branches and agencies	—	30.1	10.4	14.9
Equipment	3.2	4.3	1.7	1.2
Accounts receivable	49.0	24.9	22.1	47.8
Goods in shops	7.3	11.1	29.5	14.6
Sundry assets	9.3	5.9	2.2	10.4
<i>Liabilities:</i>				
Owned capital	4.3	15.3	23.2	19.6
Accounts payable	64.4	74.2	52.7	30.0
Borrowings	23.4	3.6	3.6	24.4
Branches and agencies	—	—	1.4	2.1
Profit account	2.2	2.2	4.5	—
Sundry liabilities	5.7	4.5	11.9	23.9

<sup>25</sup> *Ibid.*, p. 115.

<sup>26</sup> *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922*, table 89, p. 154.



The trend of the liability items revealed a growing financial stability in the course of three and one-half years. The ratio of owned capital among the aggregate liabilities increased about fivefold, both the share capital and other specific forms of capital having increased in about equal proportions. The owned capital was further strengthened by borrowings from members in the form of deposit and short-term certificates of small denominations; which, in the aggregate, formed a working fund equal to 27.7 per cent of all liabilities in 1918, and 44 per cent on July 1, 1920. Among the assets, it was found that merchandise stocks on hand and current accounts receivable from the union's branches and other debtors fluctuated as a rule between 70 and 75 per cent of the total; but combining these items with the output of the productive departments available for the market, the liquid assets constituted between 85 and 90 per cent of the total. The net profits of the *Poyur* federation in 1916-1918 fluctuated between 1 and 2 per cent of the gross business.

Hardly less in the magnitude of its operations than the *Poyur*, though more recent in origin, was the Dnieper Union of Ukrainian Consumers' Unions, known briefly as the *Dnieprosoyus*. It was formed as a regional union in March, 1917, and reconstituted as a union of the "third order" in June of 1918. Only a small group of local societies with the right of direct affiliation remained on the membership roll of the union. The stronghold of the federation's activities was in the province of Kiev, which alone contained six-tenths of its membership; next, the three provinces of Poltava, Chernigov, and Podolia comprised three-tenths of the total, leaving only one-tenth distributed in the seven provinces along the right and left banks of the Dnieper river. The expansion of the *Dnieprosoyus* in membership, capital, and gross sales appears in the following table.

*Membership, Capital, and Turnover of the Dnieprosoyus.*<sup>27</sup>

	Membership		Share capital	Other capital	Year's trade
	Societies	Unions		(in rubles)	
January 1, 1918	495	32	315,965	37,012	6,481,955*
January 1, 1919	461	78	2,862,769	990,171	72,759,337
January 1, 1920	393	86	16,639,733	22,563,816	353,670,631
July 1, 1920	12	88	17,859,985	28,699,916	123,782,722†

\* Eight months of 1917.

† Six months of 1920.

<sup>27</sup> *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922*, tables 70, 72, 74, pp. 139, 141, 143.

The young federation obviously pursued a vigorous policy of adding to the share capital and other capital funds accruing from the net earnings. Thus, the gross sales of 1919, in current money values, were five times the sales of 1918, but the aggregate owned capital increased tenfold in the same period. Or, to express the same fact in the form of ratios, the owned capital formed 5.3 per cent of the year's turnover on January 1, 1919, and 11.1 per cent on January 1, 1920.

In terms of pre-war gold rubles, the gross business was as follows: in the last eight months of 1917, 1,440,434 rubles; in 1918, 3,637,966 rubles; in 1919, 3,536,706 rubles; and in the first half of 1920, only 618,913 rubles.<sup>28</sup> The large absolute increase in the trade figures in 1918 and 1919, evaluated against a background of scarcity and narrowing markets, showed that in relative terms the federation was certainly gaining, but it was also beyond peradventure true that it could not supply its expanding coöperative membership with as large a flow of goods. The lack of them was in part made up by the union's productive enterprises, whose output formed about 6 per cent of the total transactions in 1918, and ran up as high as 18.3 per cent in 1919—from 210,609 pre-war rubles to 646,409 rubles.<sup>29</sup> This performance in untried fields of production, in unsettled times hazardous to new ventures, disclosed the feverish public-mindedness of the young federation to make good in some measure the immense deficiency in consumers' goods, notwithstanding the paucity of working capital for its ordinary commercial needs. The *Dnieprosoyus* operated two tobacco factories, it processed coffee, manufactured soap, buttons, footwear, and textile goods, in its plants located at Kiev and Odessa, and worked salt deposits in the Crimea.

The proportional distribution of the various assets and liabilities in the balance statements of the federation appears in the following table.

*The Balance Sheet of the Dnieprosoyus in 1918-1920.*<sup>30</sup>

January 1, 1918    January 1, 1919    January 1, 1920    July 1, 1920

Total in current rubles	4,771,202	31,650,049	265,038,668	790,050,202
Same in pre-war rubles	1,060,267	1,582,502	2,650,386	3,950,251

<sup>28</sup> *Ibid.*, table 74, p. 143.

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*, table 72, pp. 141-142.

	Percentage	Percentage	Percentage	Percentage
<i>Assets:</i>				
Cash account	7.4	5.6	14.3	8.9
Equipment	0.3	6.3	3.6	1.3
Merchandise	50.6	51.4	27.7	26.4
Accounts receivable	19.3	15.9	32.7	57.3
Expense account	0.2	0.4	0.1	6.1
Other assets	22.2	20.4	21.6	—
<i>Liabilities:</i>				
Share capital	6.6	9.0	6.5	2.3
Other capital	0.8	3.1	8.5	3.6
Borrowings	16.8	9.8	10.7	9.2
Accounts payable	52.6	55.9	51.5	65.4
Profit account	1.0	1.8	1.2	19.5
Other liabilities	22.2	20.4	21.6	—

The *Dnieprosoyus* began its business operations in May, 1917, with a stock of goods balanced by an equal amount of notes payable. Beginning with 1918, the ratio of its owned capital funds among the aggregate liabilities doubled in two years, only to fall to a lower ratio on July 1, 1920, indicating an absolute as well as a relative decline, because the accumulation of capital means had failed to keep up with the union's expansion in trade. Borrowed capital in the form of deposits and short-term loans also declined. Thus the total working capital, which constituted 24.2 per cent of all liabilities in 1918, stood at only 15.1 per cent in 1920. Among the assets, merchandise on hand and accounts receivable usually formed two-thirds of the aggregate, which was rather low for a trading organization, while the high ratio of the cash balance—an item ever waning in purchasing power at a time of inflation—characterized lacking and fitful market conditions.

The other coöperative wholesale federations of Ukraine, although in name unions of the "third order," were in reality no greater than many a regional second-order organization. The Odessa Central Union of Consumers' Societies, the *Odobsoyus*, was chartered in July, 1918. In the course of the year 1919, its resources rose from 38,541 gold rubles to 382,282 rubles, nearly tenfold in terms of pre-war exchange.<sup>31</sup> The union comprised a membership of twelve consumers' organizations in the province of Kherson, of which nine were district and city unions affiliating 1,732 primary consumers' societies. The

<sup>31</sup> *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922*, table 85, p. 151.



Central Union of Northern Ukraine and White Russia, briefly the *Kraisoyus*, was chartered in December, 1917, and began operations in the following month. Its membership of 30 district unions was almost exclusively confined to the province of Chernigov and the region of Gomel. The aggregate turnover of the union was 8,993,198 rubles in 1918, which was equivalent to 449,660 pre-war rubles, and 58,017,223 rubles in 1919, or 580,172 rubles in pre-war exchange.<sup>32</sup>

Outside the provinces of Ukraine proper, southeastern Russia was the seat of an important central federation. This region had at the beginning of 1919 twenty-five district consumers' unions, federating some 3,000 distributive societies with a membership of 1,800,000 shareholders and comprising nearly 80 per cent of the rural population. The combined share capital of the consumers' societies was 20,000,000 rubles, and their business turnover during 1918 was estimated at 300,000,000 rubles. There was practically no village or town in the Southeast without its coöperative store. The societies derived financial assistance from the local credit coöperatives and the branch of the Moscow Narodny Bank at Rostov-on-Don. Since September, 1915, there had existed in the interests of the regions of the Don, Kuban, and Terek a wholesale union known as the *Dokat*. In 1918 it was reorganized as a central union, the Rostov-on-Don Union of Consumers' Societies, which was to serve also the provinces of Stavropol and Black Sea. The new *Dokat* comprised eighteen local consumers' unions, and a few large individual societies entitled to direct affiliation. Early in 1919 the total number of consumers' societies thus indirectly or directly affiliated was 1,289 with a membership of 742,000 persons, representing a population of about 3,700,000.<sup>33</sup>

The *Dokat* was the chief representative of the consumers' societies of the Southeastern territory in the sphere of wholesale trade, including transport and insurance facilities. It assisted the local coöperatives in the organization of their work, advising them on financial, legal, economic, cultural, and technical problems. The share capital of the federation was composed of stock subscribed by its members for an amount not less than 5 per cent of their respective share capital, also of annual contributions to an amount representing 0.5 per cent of their yearly turnover, and of fees of two rubles for

<sup>32</sup> *Ibid.*, table 81, p. 148.

<sup>33</sup> *The Russian Coöperator*, July, 1919, pp. 101-102.



each individual member of the affiliated organizations. The liability of the federation was unlimited, extending to all of its share capital and property, and its members in addition bore a supplementary liability five times their shareholdings in the federation.

The share capital of the *Dokat* stood at 3,900,000 rubles on December 1, 1918, and its total liabilities at 34,645,721 rubles. The turnover for the period between July 1, 1917, and September 1, 1918, was 76,570,015 rubles, of which about 40 per cent was for the account of grocery and colonial goods, the remainder being represented by cotton goods, footwear, seeds, ironware, hardware goods, and others.<sup>34</sup> Despite this large turnover, the union could not adequately meet all the requirements of its members, because of the civil war which cut off the Southeast from access to the central markets. It therefore established its own agencies in the cities of Moscow, Kiev, Kerch, and Ekaterinodar, also wholesale storehouses and numerous workshops for the manufacture of hats, caps, underwear, hardware requirements, small implements; it operated soap factories, among which was the large "Mylovar" at Nakhichevan, a combined soap, tallow, and vegetable oil factory with an annual output of 28,000 tons, which the union owned in partnership with the *Centrosoyus* federation.

It may be maintained, in summing up the development of consumers' unification in South Russia, that the coöperative leaders have not in fact succeeded in imparting to the movement a uniformity of organization and unity in economic affairs regardless of sectional and political interests. Much could be admitted in extenuation,—confusion in business and finance, changes in government, civil warfare, and military operations which divided the natural spheres of coöperative activity. But it was also true that the two large federations, the *Poyur* and the *Dnieprosoyus*, contended for coöperative hegemony which led to their competition at home and in the distant markets of Russia. The Soviet decree of March 20, 1919, aiming arbitrarily at the simplification and unity of the coöperative organizations, was applied in Ukraine only in the summer of 1920, after the Soviet power had become firmly established in the South. By the decision of the Ukrainian Coöperative Committee of May 7, 1920, the existing central federations were to be liquidated, and all their capital assets and other properties, omitting what was reserved

<sup>34</sup> *The Russian Coöperator*, July, 1919, p. 102.

for the provincial consumers' unions (*gubsoyus*), were to be relinquished to the newly organized All-Ukrainian Coöperative Union, *Vukopspilka*. A temporary board was established consisting of the representatives of the important unions, until the convocation of a general congress of consumers' coöperation. The *Vukopspilka* thus became officially the inheritor of the *Poyur* and *Dnicprosoyus* federations and of the Southern Branch of the *Centrosoyus*.

### *Labor Consumers' Federations.*

The process of coöperative decentralization and political sectionalism, which divided the movement during the War and resulted in the setting up of new central or overhead federations, had assumed also the form of a social cleavage in the ranks of urban coöperation when the labor consumers' societies launched their own class federations. Before the War the labor group had no separate central union. Many of them held membership in the All-Russian Central Union of Consumers' Societies. The first attempt to set up a purely workers' wholesale federation was made in August, 1914, in the town of Kineshma, a large textile manufacturing region of the province of Kostroma. The well-known labor society "Union Is Power" of Ivanovo-Voznessensk was one of its charter members. The Kineshma coöperative wholesale began its career with a membership of 20 societies, which rose to over 150 in 1916. Its monthly sales increased from 20,000 rubles to 350,000 rubles. From the start the management of the union utilized its earnings for the acquisition and leasing of flour mills and bakeries. In March, 1918, the union already affiliated 426 member societies, counting 110 of the labor group, and represented in the aggregate 210,000 shareholders. The owned capital of the union was 1,074,072 rubles, including a share capital of 798,608 rubles. The gross sales amounted in 1917 to 20,000,000 rubles.<sup>35</sup> The union was strictly coöperative in management, and in all departments of activity it followed the principle of collective wage agreements with its employees.

In the capitals of Petrograd and Moscow the labor consumers' movement encountered practical as well as theoretical difficulties in the organization of a special wholesale federation. It was held in some

<sup>35</sup> *Potrebitelskaya kooperatsiya v tsifrakh i diagramakh*, table 24, p. 49. (About one-half the shareholding members were found in the 110 labor societies.)

circles that it was economic waste to duplicate the work of existing consumers' unions, while those who favored separation on a class basis were divided as between the chain-store form of consolidation and the plan of one central federation of autonomous local societies. In Moscow, the Government refused to sanction the organization of a labor wholesale union proposed in 1910, but contrary to the will of the authorities an informal association was formed in 1912, in the shape of the *Kollektiv* (*Alliance*) professedly with the aim of co-ordinating the educational and welfare interests of the labor societies. However, the growing scarcity of goods during the War, profiteering by private middlemen, and the propaganda of class-consciousness hastened the process of reconstruction along class lines.

The Moscow Association of Consumers' Societies was launched in September, 1916, by a group of seventeen labor consumers' societies, on the basis of a mutual trading agreement. At the first outbreak of the Revolution it was formally registered as the Union of Labor Consumers' Societies of Moscow, on March 5, 1917. It was exclusively a labor federation; other societies could adhere only as "custom members," without the rights and benefits of participating in the administration of its affairs. The liability of the member societies for the obligations of the union was fixed at three times the amount of their shares. On January 1, 1918, the wholesale numbered 90 legal members and 39 custom members, affiliating 195,067 persons. The owned capital amounted to 195,678 rubles, of which the share capital was 55,849 rubles. The gross sales of the past year were 20,741,000 rubles.<sup>36</sup> Obviously the owned capital was traded or "turned" 106 times; the share capital, 370 times. The enormous business of the federation done on a slender capital was made possible through a system of loans, members' deposits in the union's banking department, and special funds created by trade commissions on sales, but chiefly through extensive commercial credits opened by the *Centrosyus*, the Moscow Narodny Bank, and the Moscow food control committees; also, in no less degree, through the system of mutual guarantees and liabilities inhering in the coöperative form of organization, and the business ability and integrity of the management. The union operated a number of central warehouses and three bakeries

<sup>36</sup> *Potrebitelskaya kooperatsiya v tsifrakh i diagramakh*, table 24, p. 49. Also *Soyus Potrebitelei*, No. 29-30, 1918, p. 50. (In terms of pre-war exchange the turnover of 1917 was equivalent to 4,610,000 rubles, using the *Centrosyus* index number 4.5.)



with an output of 156,000 puds of bread. Following the established coöperative tradition, it published *Golos Rabochei Kooperatsii* (*The Voice of Labor Coöperation*), it organized educational clubs, and a general book department; it also started six clubs for adult workingmen, two boys' clubs, and fifteen children's playgrounds in the workmen's quarters. It contributed generously to such cultural activities as reading rooms, public lectures, children's excursions, and amateur theatricals.

The example of Moscow was followed toward the end of 1916 by the labor consumers' organizations of Petrograd who organized the Petrograd Union of Labor Consumers' Societies, the *Petrosoyus*. The union had a membership of sixty-nine societies in the summer of 1918, federating 149,398 persons, and its share capital was 753,726 rubles. The gross sales of 1917 amounted to 21,000,000 rubles.<sup>37</sup> The union operated three large bakeries, three warehouses, a printing establishment, and employed about 400 persons, including 40 engaged in the work of the secretariat. It concentrated its work on groceries, flour, milk, and vegetables; it represented its members in all government control agencies, and supplied outsiders as well with state-regulated commodities. The union developed statistical research in coöperation, an extensive educational department for work with children especially, and organized a workers' theater. The periodicals published were the monthly *Trud* (*Labor*) and the popular weekly *Rabochi Kooperator* (*The Worker Coöperator*). In the form of its administration *Petrosoyus* differed from other coöperative unions in that the physical membership organized by city wards, and not the legal member societies, had in their power the direct nomination and election of the central board of twenty-five, which, from among the members of its panel, appointed the responsible board of management of nine. The *Petrosoyus* had assumed the leadership in 1917 in calling the first national congress of labor consumers' coöperation.

The contagion then spread in the provinces, and a number of labor coöperative wholesale unions appeared in the industrial center, in Odessa, Taganrog, Ekaterinoslav, Saratov, Kharkov, etc. The best known was the *Soyus-Don-Bassein*, located in the mining and metallurgical region of the south. The union federated on January 1, 1920, seventy member societies with 130,000 shareholders. Its share

<sup>37</sup> *Ibid.* Also *Soyus Potrebitelei*, No. 27, 1918, pp. 34-36.



capital was about 4,000,000 current rubles, and the year's gross sales, 60,000,000 rubles.<sup>38</sup>

Under the stimulus of the War and the Revolutionary movement labor coöperation had grown in class-consciousness and strength, and had taken the first important steps in the direction of planned organization in the field of consumption. But regarding the labor wholesale unions in their entirety, it was found that notwithstanding the advantages of consolidation, numbers, and gains in business turnover, their financial structure was peculiarly weak; owing, of course, to the progressive devaluation of the monetary standard which rendered every form of business accountancy unstable and difficult, to the all-embracing food crisis, to the repeated mobilizations of the trained workers, to the breakdown of coöperative loyalty, and, in part, to the employment of the too limited funds for various productive enterprises and educational and welfare activities. The labor consumers' unions were closely and immediately bound up with the masses of workingmen. They were class organizations, serving homogeneous special needs, and conceived by their leadership as means of class education, solidarity, and class emancipation. For illustration, in September of 1917, at the initiative of the supply division of the Moscow Soviet of Workmen's Deputies, then in control of the supply committees of the city, the labor societies organized an independent Central Workers' Coöperative. The by-laws of the organization stipulated the provisioning of striking workingmen with food and other aid, and ruled the allocation of 40 per cent of the net profits for the support of trade unions, labor strikes, and socialist party organizations. At the end of 1917 the society numbered 130,000 members, and operated eleven stores.<sup>39</sup> It was a chain-store system, calculated to supplement the work of existing labor consumers' societies and their wholesale unions. With the socialization of the consumers' societies under Bolshevik rule, it was reformed as the Moscow Consumers' Commune, a consolidated city-wide consumers' confederation for all classes of the population, though now shorn of the familiar coöperative principles of voluntarism, self-government, and democratic management.<sup>40</sup>

<sup>38</sup> *Potrebitelskaya kooperatsiya v tsifrakh i diagramakh*, table 24, p. 49.

<sup>39</sup> Balabanov, *loc. cit.*, pp. 248-249.

<sup>40</sup> Under the "new economic policy" inaugurated in the spring of 1921, the decree of April 7 permitted the formation of voluntary consumers' societies within the framework of the united consumers' societies. They were estab-

The federative movement in the field of railway labor consumers' coöperation, unlike the movement among industrial workers, was not tinged with the propaganda of class emancipation and separatism. The territory of a railway society was not a fixed community, or a city, but a railway line. It had special problems of distribution peculiar to itself. In the period of general scarcity and scrambling after goods, every kind of branch and bureau in the transportation field, including the trade unions, organized independent committees for the work of procuring and distributing supplies, often in competition with one another. An attempt was made in 1916 to unify their work in a special food supply committee. But after the Revolution, for the first time in their history of well-nigh fifty years, the railway consumers' societies convened a general congress of their own, in May, 1917. A central food supply bureau was formed within the Ministry of Railway Transportation. It was advocated to organize the railway consumers' societies in a chain-store system, with stores at all important terminals and with traveling carriage-stores along the lines. In 1918 the food supply bureau was reorganized on an independent basis as the All-Russian Council of Railway Workers' Supply, abbreviated as *Prodput*, which with the support of the railway workers' union became the principal regulator and distributor of supplies for the railway employees, working in close coöperation with the consumers' unions and independent of all State regulatory agencies. With the decree of March 20, 1919, the 110 railway consumers' societies were reorganized and consolidated into 36 terminal railway consumers' societies serving 6,032,000 workers with their families and united around the central union *Prodput*.<sup>41</sup> The latter had distributive branches and agencies in nearly every province of Soviet Russia and Ukraine, also productive departments for the manufacture of cotton goods and boots, and a number of small farms for the cultivation of cereals and vegetables. Still, notwithstanding its concerted efforts, the *Prodput* fell far short of its expectations in

lished at most factories and workshops in order to deal in supplies independent of the government distributive system. The number of voluntary consumers' societies increased from 16 in April to 427 in December, 1921. It was then that at a meeting of voluntary consumers' societies delegates, the Moseow Consumers' Commune became the Moseow Consumers' Society, a union of independent primary consumers' societies.

<sup>41</sup> *Soyus Potrebitelei*, No. 7, 1922, p. 36.

supplying the needs of the railway societies with breadstuffs and other commodities. The shortage was universal, to be remedied by increased production and fundamental economic rehabilitation. The contriving of new systems and forms of control were not enough, and the mere simplification of the coöperative structure by political fiat with its compulsory methods of unification seemed of no avail.<sup>42</sup>

### *Coöperative Insurance Unions.*

An important development in the history of Russian coöperation after 1917 was the rise of insurance on coöperative principles, as an auxiliary or service institution for the consumers' organizations seeking to safeguard their goods and interests. The idea of setting up a central insurance union was promoted as early as 1898, at the time of the launching of the Moscow Union of Consumers' Societies, and it was brought forward repeatedly on many occasions subsequent to that event. But each time political influence wielded by private insurance companies, and the power of government authorities who even prohibited the discussion of coöperative insurance at the congresses of 1908 and 1913, delayed its realization indefinitely. So anxious were the private companies to hold the insurance business of the coöperative unions that they offered them lower premium rates; but even under favorable terms the Moscow Union alone had paid out over 400,000 rubles in premiums to the *Yakor* Insurance Company during the eight years, 1909 to 1916.<sup>43</sup>

The enabling coöperative act of March 20, 1917, removed all obstacles to organization, and the matter of insurance on coöperative principles again appeared in the foreground of discussion. The unsettled conditions of transport and the risk to property in transit led the leading national federations to set up their own insurance departments, issuing policies to their member societies and re-insuring

<sup>42</sup> In February, 1921, the railway *Prodput* was joined by the central wholesale union of the river transport workers' societies, the *Prodvod*. By the decree of April 7, 1921, all transportation workers were united in common transport consumers' societies having but one national union, the Central Administration of Transport Workers' Supply (*Tsustran*), formed as an autonomous section within the *Centrosoyus*. Soviet decrees converted the transport workers' movement into a united class federation. Soviet Russia and Ukraine had in March, 1922, 61 transport consumers' societies, with their 354 branches. The total membership was 6,567,674 persons. *Ibid.*, p. 36.

<sup>43</sup> F. Nosov, *Coöperation and Insurance*, in *Veliki Okean*, July, 1919.



their risks with the private insurance companies. The Moscow Narodny Bank was the first to enter the insurance field in October, 1917, and before the expiration of the year it issued 376 policies for a total of 78,500,000 rubles. Among producers' coöperatives the Central Flax Growers' Association had underwritten a considerable amount of insurance beginning with April, 1918, insuring during the year for its own risk the flax and other property of its members to the amount of 114,000,000 rubles. In June, 1918, the *Centrosoyus* inaugurated its own insurance operations and in the course of the year issued 995 policies with liabilities exceeding 60,000,000 rubles.<sup>44</sup> The *Centrosoyus* solved the vital matter of how best to create a chain of coöordinated insurance agencies by placing its local insurance offices under the direct supervision of the provincial or regional unions, a plan calculated to attract the primary consumers' societies to the idea of coöperative insurance and to contribute an additional link to the unity of coöperation. These preparatory stages, and the agitation of the *Centrosoyus* for a still larger plan that would unite the whole movement in the field of reinsurance, finally had their issue in the formation of the All-Russian Coöperative Insurance Union. It began its operations in October, 1918, with the declared object "to organize and effect insurance against fire and all other risks in connection with the transportation of goods owned by the coöperative societies," and it further proposed to promote measures of fire-prevention, to advocate the erection of fireproof buildings, and other means looking to the decrease of risks to property and the reduction of insurance costs.

The capital of the Insurance Union was 2,600,000 rubles, represented by 2,600 shares, of which 2,000 were taken up by four national federations—the Moscow Narodny Bank, the *Centrosoyus*, the Central Flax Growers' Association, and the Siberian *Zakupsbyt*—and the remainder by a number of regional consumers' unions. In a few months the share capital was increased to 4,900,000 rubles. The membership was open to central and regional unions; primary co-operatives could be admitted in special cases only. The members were not enjoined from organizing their own insurance departments if dictated by special conditions or interests, but they agreed unconditionally to re-insure risks with the Union and not with private in-

<sup>44</sup> *The Russian Coöperator*, November, 1919, p. 167.



insurance companies.<sup>45</sup> The liability of the union extended to all of its capital and property, and its members bore an additional liability amounting to three times their shares. The articles of association had ruled that the maximum dividend on shares be limited to 8 per cent, and that no less than 20 per cent of the year's net profits be assigned to the reserve fund until it reached the sum of 5,000,000 rubles, before the reserve ratio could be lowered. The balance of net earnings was intended for refunds on premium payments and for various special funds, such as fire prevention, publicity, and other coöperative and welfare activities.

From the time of the formation of the Union in October, 1918, to the middle of February, 1919, it issued 514 policies for a total sum of 265,000,000 rubles, of which 104 policies with combined liabilities of 85,000,000 rubles were re-insured in private companies.

The balance sheet of the Union on February 1, 1919, showed a total of 6,418,231 rubles:<sup>46</sup>

<i>Assets</i>	
	<i>Rubles</i>
Cash and current accounts	4,915,674
Equipment	84,748
Current expenses	476,316
Paid in respect of risks	149,516
Various debtors and assets	791,975
	<hr/>
Total	6,418,231
 <i>Liabilities</i>	
	<i>Rubles</i>
Share capital	4,900,000
Premiums on insurance	1,423,075
Stamp duty, etc.	38,275
Various creditors and liabilities	56,880
	<hr/>
Total	6,418,231

An independent insurance union, the All-Siberian Coöperative Insurance Society, was organized in February, 1919, at Nikolaevsk,

<sup>45</sup> *Soyus Potrebitelei*, No. 28, 1918, p. 28; No. 36, 1918, pp. 41-42.

<sup>46</sup> *The Russian Coöperator*, November, 1919, p. 167.

sponsored chiefly by the *Zakupsbyt* federation. The Siberian union served directly all the primary consumers' coöperatives and their district and regional unions, and in accordance with this policy the value of the share capital was fixed at the low figure of 200 rubles, without limit as to the number of shares to be acquired in individual cases. The control over the affairs of the insurance society was in the hands of the meeting of delegates, who formulated its policies, fixed the premium rates, reviewed the financial reports, and elected the board of directors and the revision committee. The rules of the society provided that extra sessions of delegates could be convened at the request of the board or the revision committee, or on the application of one-tenth of the membership.<sup>47</sup> The liabilities of the Siberian insurance society for the property of its members extended beyond Siberia, to European Russia and foreign countries as well. In August 1, 1919, it counted 1,024 members, and had a share capital of 1,312,900 rubles. In the first ten months of operation the insurance policies underwritten amounted to 504,693,314 rubles, and the premiums to 5,276,436 rubles.<sup>48</sup>

The nationalization of private property and trade under Soviet decrees had simultaneously abrogated the institution of property insurance, although the coöperative system of insurance continued to April, 1920. The radical reformation of coöperation undertaken in that year into a state organization for supply and distribution put an end to the All-Russian Coöperative Insurance Union as an independent organization, and its work became merged with the insurance department of the *Centrosoyus* itself.<sup>49</sup>

<sup>47</sup> Nosov, *loc. cit.*

<sup>48</sup> *Izvestia Centrosoyusa*, February 1, 1920, p. 12.

<sup>49</sup> Insurance was reëstablished under the "new economic policy" by the decree of October 6, 1921, which granted to the coöperative organizations the right to form unions for mutual insurance, provided they re-insure any large accepted risks in the State Insurance Department (*Gosstrakh*). The *Centrosoyus* then reformed its insurance department to serve the consumers' movement, and helped to organize the new All-Russian Coöperative Insurance Union (*Koopstrakhsoyus*) for the needs of the agricultural and home-industrial coöperatives and unions. In Ukraine, an autonomous insurance union was organized to serve all forms of coöperation. Compulsory reinsurance of large risks with the State placed this aspect of the movement in dependence, denying it the opportunity to work out a well-rounded system of insurance on a coöperative basis.

*Union Capital and Gross Business.*

The large accession of new unions, no matter how unavoidable, beyond the bounds of functional and economic effectiveness, and the continued devaluation of the paper currency, affected adversely the capital structure of the consumers' unions and their power to trade. The majority of the unions were local in character, and their gross business was individually small. It is doubtful if they supplied as much as one-half of the goods required by their member societies. There was no uniformity in the methods of constituting the share capital of the unions: In some cases the rules of association called for contributions determined by a fixed ratio of the members' share capital; in other cases the ratio related to the members' gross sales, and sometimes to their annual transactions with the union itself. These methods were in a manner forms of indirect taxation, working unequally as among the members of the union, and hardly befitting the principles of coöperative work. However, by the more common practice individual participation in the union's share capital was determined on the basis of the affiliated physical membership of the primary societies in the form of a fixed money contribution per head, a method considered most equitable in principle, and as best calculated to stimulate the spirit of coöperative interest and loyalty. Aside from direct shareholding, the member societies bore a supplementary liability from three to ten times the value of the shares in the affairs of their union.

At a time of inflation, the share capital was too ineffectual for the work of trade and expansion; its purchasing power was shrinking, monthly, weekly. It became therefore the general practice to build up other special forms of corporate capital from the current income of the unions, and the trend of growth of the special funds and of the aggregate owned capital was more rapid than that of the share capital taken by itself. Thus in the region of the *Poyur* federation, the share capital of the average consumers' union increased 2.66 times between 1917 and 1919, in current money, but the total of owned capital increased 3.4 times, pointing to the conclusion that the advance was largely for the account of the special corporate funds accrued from the net earnings of the union.

*Capital Resources per Consumers' Union in South Russia.*

	Number of unions		Share	Owned	Share	Owned
	Total	Report- ing	capital (in paper rubles)	capital	capital (in gold rubles)	capital
<i>Poyur</i> report:*						
January 1, 1917	12	7	38,221	54,559	(22,483)	(32,093)
January 1, 1918	90	52	45,936	55,832	(10,208)	(12,108)
January 1, 1919	130	44	101,603	185,646	(5,080)	(9,282)
<i>Vukopspilka</i> report:†						
January 1, 1919	188	91	66,883	194,487	3,344	9,724
January 1, 1920	134	75	225,681	801,063	2,257	8,011
January 1, 1921	—	17	424,717	3,640,047	1,307	11,200

\* *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, table 67, p. 109; table 71, p. 111. (The figures of share and owned capital in gold rubles, given in parentheses, were computed by the present author, on the basis of the index numbers employed by the *Centrosoyus* and other federations.)

† *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922*, table 31, p. 98; table 34, p. 101; table 36, p. 103.

The above reports of the statistical-economic divisions of the *Poyur* and *Vukopspilka* federations brought together the scattered data of the reporting consumers' unions between 1917 and 1921; the former compiled the returns of reporting unions in eight provinces of Ukraine, and the latter mainly the returns of the member unions of the four territorial federations that operated in nine Ukrainian provinces. The provinces leading in the number of returns were those of Kharkov, Kiev, Chernigov, Podolia, Kherson, and Ekaterinoslav. The size and the trend of capital accumulation in the average consumers' union was believed to be fairly characteristic of the entire region, for as a rule one-half of the existing unions, and chiefly those of the district type in size, were included in the computation of averages. Considered in stable money values, it appeared also that the rate of decline of the average amount of share capital was greater than in the case of the owned capital, but the falling off in either kind of capital indicated that the accumulation of funds in paper values hardly kept up with the simultaneous depreciation of money. To add to their working resources, many unions introduced time and demand deposits, some floated short-term notes in small denominations, and most unions enjoyed extensive credits with central coöperative organizations, banks, and the various public supply boards.



The composition of the assets and liabilities of the reporting consumers' unions, according to the *Vukopspilka* publication, is presented in the table subjoined.

*Balance Sheet of the Average Consumers' Union.*

<i>Assets:</i>	<i>January 1, 1919*</i>		<i>January 1, 1920†</i>		<i>January 1, 1921‡</i>	
	<i>Rubles</i>	<i>Ratio</i>	<i>Rubles</i>	<i>Ratio</i>	<i>Rubles</i>	<i>Ratio</i>
Cash and securities	140,524	7.8	1,039,787	12.8	1,913,519	6.5
Merchandise	689,453	38.3	2,446,516	30.2	9,792,088	33
Equipment	63,529	3.5	229,706	2.8	1,120,874	3.8
Accounts receivable	689,008	38.3	3,508,575	43.2	11,676,659	39.3
Other assets	216,984	12.1	890,039	11	5,148,551	17.4
<b>Total</b>	<b>1,799,498</b>	<b>100</b>	<b>8,114,623</b>	<b>100</b>	<b>29,651,691</b>	<b>100</b>
<i>Liabilities:</i>						
Share capital	66,883	3.7	225,681	2.8	424,717	1.4
Other capital	127,604	7.1	575,382	7.1	3,215,330	10.8
Deposits and loans	395,025	22	1,199,742	14.8	2,303,648	7.8
Accounts payable	847,170	47.1	4,705,756	58	16,991,887	57.3
Other liabilities	362,816	20.1	1,408,062	17.3	6,716,109	22.7
<b>Total</b>	<b>1,799,498</b>	<b>100</b>	<b>8,114,623</b>	<b>100</b>	<b>29,651,691</b>	<b>100</b>
Total in gold rubles	89,975	—	81,146	—	91,236	—

\* *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922*, tables 31-32, pp. 98, 99.

† *Ibid.*, tables 34-35, pp. 101, 102.

‡ *Ibid.*, table 36, p. 103.

A cursory examination of the component parts of the average balance sheet disclosed the fact that over one-tenth of the liabilities constituted the owned capital, while about seven-tenths was borrowed capital in the form of trade advances, loans, and members' deposits. In other words, borrowed capital was 6.4 to 7.4 times the amount of capital owned. Among the assets, approximately 73 to 76 per cent of the total were liquid in form, represented by merchandise on hand and trade accounts receivable. The aggregate assets of the average Ukrainian consumers' union decreased from 89,975 pre-war rubles in 1919 to 81,146 rubles in 1920, or by one-tenth; the advance to 91,236 rubles per individual union in 1921 was not a comparable average because it was based on the returns of a too limited number of unions, presumably those above the average.

It would be inadvertent and unconvincing to conclude that the average union of the *Poyur* and *Vukopspilka* reports was also the

normal or representative consumers' union of Russia as a whole, notwithstanding the fairly large number of district unions making returns; for the small-district type of amalgamation had not been included in the surveys in proportion to its numerical strength in the coöperative movement. How wide the margin of difference was between the reporting union and the normal it is impossible to establish with accuracy, for want of extended statistical researches. It is the present author's belief that the margin in favor of the reporting union was approximately 15 to 20 per cent. It is confirmed by comparing the average of the 75 unions above, as of January 1, 1920, with the averages of the sixty member unions affiliated with the *Dnieprosoyus* federation,—a group of local, mostly "mixed," unions characteristic of Russia generally.<sup>50</sup> The consolidated balance sheet of the sixty unions was 407,303,463 rubles, thus establishing, roughly, an average of 6,800,000 rubles per union, or 16.2 per cent below the average of 8,114,623 rubles of the *Vukopspilka* report.

The predominance of the small-district and district types was ap-

*Gross Business of Consumers' Unions in 1917.*<sup>51</sup>

<i>Number of unions</i>	<i>Turnover (in rubles)</i>
60	Under 1,000,000
210	1,000,001- 2,000,000
100	2,000,001- 5,000,000
25	5,000,001-10,000,000
15	10,000,001-15,000,000
10	15,000,001-25,000,000
3	25,000,001-50,000,000
1	Over 50,000,000
1	Over 100,000,000
1	Over 200,000,000

<sup>50</sup> On January 1, 1920, 28 consumers' unions of the *Dnieprosoyus* reported average assets of 7,829,703 rubles, 19 consumer-credit unions showed an average of 3,702,006 rubles, and 13 other mixed unions an average of 7,047,820 rubles. The consolidated balance sheet of the 60 member unions was 407,303,463 rubles. *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922*, table 71, p. 140.

<sup>51</sup> *Soyus Potrebitelei*, No. 6-7, 1918, p. 7. (The source of goods handled by the unions was computed for only a small group of 17. It appeared that they purchased 17 per cent from the *Centrosoyus*, 22 per cent from other co-operative organizations, 16 per cent from public supply boards, and 45 from private wholesalers. *Ibid.*, No. 25, 1918, p. 7.)

parent also in the trade returns of 1917. More than one-half of the unions, 270 out of the 426, accounted for annual gross sales less than 2,000,000 rubles, or 444,000 in pre-war exchange; at the other extreme, six central wholesale federations reported yearly turnovers above 25,000,000 rubles.

The first three groups of 370 unions embraced all existing district and small-district amalgamations of the country, over 85 per cent of all unions. Their turnover was therefore the normal, typical of the mass of local unions, with an annual turnover somewhere between 2,000,000 and 3,000,000 rubles. Combining the local groups with the next group of 50 regional unions, but omitting the six central federations, it is readily found that the arithmetic mean was a union with a turnover between 3,500,000 and 4,000,000 rubles. Therefore, the gross business of the 420 local and regional unions estimated by coöperative statisticians at 1,500,000,000 rubles was truly a very reasonable figure; it did not include the central overhead federations, of which there were five, besides the national *Centrosoyus*. The aggregate gross business of the consumers' unions during the War showed an increase from 92,800,000 rubles in 1915 to over 1,710,500,000 rubles in 1917. The expansion was real, in money values and in the volume of goods; it constituted a fivefold increase on the basis of pre-war exchange, from 77,300,000 rubles to 380,100,000 rubles.

*Combined Turnover of Consumers' Unions in Current Rubles.*

	<i>Unions</i>	<i>Centrosoyus</i> (in rubles)	<i>Total</i>
1915	70,000,000	22,800,000	92,800,000
1916	257,000,000	86,600,000	343,600,000
1917	1,500,000,000	210,500,000	1,710,500,000
1918	—	606,900,000	—
1919	—	4,717,900,000	—

Beginning with 1918 the turnover of the central federations and of some individual regional unions is authoritatively known through their annual reports. But it is also possible to compute with a fair degree of definiteness the gross business of the combined local and regional unions. The reports of the *Poyur* and *Vukopspilka* organizations have presented the trend of coöperative business among the district unions of Ukraine between 1917 and 1920, which the table below shows in a summary fashion.

*Average Turnover of Consumers' Unions in 1917-1920.*

	Number of consumers' unions		Gross sales	
	Total	Reporting	(in paper rubles)	(in gold rubles)
<i>Poyur</i> report*				
1917	90	20	2,396,571	(533,100)
1918	130	26	5,802,531	(290,126)
<i>Vukopspilka</i> report†				
1918	188	63	5,908,516	295,426
1919	134	61	19,473,438	194,734
1920	—	5	50,888,716	254,444

\* *Potrebitelskaya kooperatsya v tsifrakh i diagramakh*, table 73, p. 112. (Gold equivalents shown in parentheses were computed by the author, on the basis of *Centrosoyus* index numbers—4.5 for 1917, and 20 for 1918.)

† *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922*, table 56, p. 124; table 57, p. 125; table 65, p. 132.

In the tabulation of gross business in 1917 it was shown that the normal consumers' union had a turnover fluctuating within a range of 2,000,000 and 3,000,000 rubles. Therefore, the average of 2,396,571 rubles established in a factual survey for a limited group of twenty unions in 1917, as well as the average of twenty-six unions in 1918, all members of the *Poyur* federation, represented in reality the normal for all local consumers' unions in Russia. A larger group was studied in the reports of the *Vukopspilka* organization, but its estimated average for sixty-three unions in 1918 was practically identical with that of the *Poyur* federation; hence the average of 1919 referring to sixty-one member unions was also the normal average. (The average for 1920 cannot be accepted as a strictly comparable figure because of the very small number of cases studied.) The outstanding fact of the business trend of the two years, considered in pre-war values, was the decline of 45 per cent in 1918, and the further recession to the extent of 34 per cent in 1919.

Bearing in mind the trend of turnover as determined for the local unions, one could, by a process of interpolation, estimate the aggregate business of the consumers' unions in 1918 and 1919. In the tabulation of the gross business of 1917 the arithmetic mean in the case of 420 combined local and regional unions was estimated at the minimum as 3,500,000 rubles, which is equivalent to 777,000 pre-war rubles. Lacking other sources of information, the present author believes it not unwarrantable to use the factors of 45 and 34 per cent,



measuring the falling off in the turnover of the average local union in gold values, as constant factors in order to arrive at the average for the aggregate group of local and regional unions. It is not an unreasonable procedure, because the decline was a universal phenomenon in consumers' coöperation; if there be error in the method, it is on the side of conservatism and undervaluation, for as a matter of fact the gross business of the purely local unions fell off more rapidly, in the years under review, than that of the regional unions, yet no correction is here introduced for such business variations. Starting then with the average of 777,000 pre-war rubles in 1917, the average for 1918 is computed at 427,350 rubles, and that of 1919 at 282,050 pre-war rubles. On the basis of the number of existing unions (the minimum of operating units is arbitrarily chosen), the aggregate gross business has been calculated in the following summary.

<i>Year</i>	<i>Number of unions</i>	<i>Estimated turnover</i>	
		<i>Per union</i>	<i>Total</i>
		<i>(in gold rubles)</i>	
1917	420	777,000	326,340,000
1918	600	427,350	256,410,000
1919	680	282,050	192,794,000

The rate of decline in the gross sales was greater than in the size of the owned capital resources, for all groups of consumers' unions surveyed in Ukraine in 1917-1919. The falling off in turnover was true of the aggregate coöperative movement as it held true of the average organization, notwithstanding the increase in numbers and in membership. It is doubtful if the coöperative movement really held its own in the national retail and wholesale markets, after reaching its highest point in 1917. Not only was the general market narrower, but a relatively smaller volume of goods moved through co-operative channels.

It is a hazardous task to apportion the blame for this situation impartially and truly, so complex and interwoven were the economic and political forces of the period. Undoubtedly the presence of small and ineffective unions, and the spirit of sectionalism making for economic loss and inefficiency of organization, were factors hindering the development of more united coöperative action. In their scramble after goods, regional and central federations established their own purchasing agencies in many cities ranging between the Baltic and the Pacific. Thus, the Siberian *Zakupshyt* federation had its offices

in Moscow, the Ukrainian *Pogur* had an agency in Vladivostok, the *Petrosoyus* looked for tea in Japan, also independently. And what was common of the inter-coöperative relations of the central federations was also true of the regional and provincial unions operating in more restricted territories. It created coöperative competition and wasteful methods of handling goods; it decreased the importance of the national *Centrosoyus* as a coördinating center. In part it was unavoidable, owing to the breakdown of transportation facilities and the constant delays and losses, which made it necessary for the unions to have their own agents everywhere on hand to smooth the way out and watch over the goods in transit from the point of origin to the last railway terminal. There was also the incompetence of the political supply administration, and the lack of working harmony between the central and local boards of control, which broke down in advance every effort at centralized regulation. Then the devaluation of the monetary standard had actually created a shortage in funds, growing ever more acute with each new emission of money. The deterioration of the factory equipment of the country resulted in falling productivity, higher labor costs, and reduced volume of goods available in the market.<sup>52</sup> The combined effect of these economic, political, and financial factors in the long run reverted to the benefit of the petty private middleman, the "bagman" of the communist régime—and higher prices that moved at an accelerated rate ahead of the rate of inflation.<sup>53</sup> It forced the coöperative managers to hold back

<sup>52</sup> The following table shows gross productivity and labor wages between 1913 and 1920, proving how reduced volume of production actually resulted in higher wage costs and poverty for labor. [*Ekonomicheskaya Zhizn* (*Economic Life*), No. 36, 1923.]

	Annual productivity per worker		Annual wages		Wages paid for
	(in pre-war rubles)	Index	(in pre-war rubles)	Index	every 100 rubles production (in rubles)
1913	2,372	100	259	100	10.9
1914	2,408	101.5	270	104.2	11.2
1915	2,985	125.8	274	105.8	9.2
1916	3,023	127.5	278	107.2	9.2
1917	2,023	85.5	230	88.8	11.4
1918	1,044	44	133	51.4	12.7
1919	479	20.2	101	39.0	21.1
1920	576	24.3	106	41.0	18.4

<sup>53</sup> The table below presents the amounts of money in circulation and the trend of prices as registered by the All-Russian Index of Labor Statistics. (*Ekonomicheskaya Zhizn*, No. 84, 1923.) The figures show at a glance that

from the market to await the more favorable moment, and meantime to remain without goods or money. It was not surprising then that the most powerful consolidation of consumers in Russia, with the most widespread system of supply and distribution, should have lost ground under the cumulative effects of economic disintegration. The man of the hour was the "bagman," the loose-footed, unencumbered trader. Economic chaos favored the speculator and the interloper; not the ponderous, complex coöperative organization committed in advance to rules, principles, ideals, contracts, and methods of civilized trade.

*Consumers' Industrial Undertakings.*

The influence of the War on the development of Russian coöperation was significant in still another direction, in that it stimulated coöperative undertakings in the field of manufacture. Disregarding the coöperative butter-making and handicraft associations, industrial enterprise by and for consumers' organizations for the purpose of securing the source of raw materials or their conversion into finished merchandise was practically non-existent in Russia before the War. In 1905 there were only forty consumers' societies, among which the labor groups were represented by thirty, operating fifty-five undertakings.<sup>54</sup> The new and unexpected showing of strength in the coöperative movement between 1907 and 1914 aroused ambitions of independent coöperative enterprise in order to supply the needs of the associated consumers. This had been long delayed in Russia

prices moved at a far more rapid rate than currency inflation, indicating a contracting market and great scarcity.

	<i>Currency in circulation</i> <i>(in millions of paper rubles)</i>	<i>Price</i> <i>index</i>
July, 1914	1,600	1
January 1, 1918	27,300	20.7
October 1, 1918	51,000	93.5
January 1, 1919	60,800	164
October 1, 1919	142,200	923
January 1, 1920	225,000	2,420
October 1, 1920	745,200	9,620
January 1, 1921	1,168,600	16,800
October 1, 1921	4,534,400	81,900

<sup>54</sup> Prokopovich, *loc. cit.*, p. 356. The consumers' undertakings included twenty-six bakeries, seven dining halls, seven shoemaking shops, two flour mills, two small slaughter houses, four tailoring shops, and some minor establishments of the retailing type.



owing chiefly to the lack of capital and initiative in the primary societies, except in the case of the strongest, and secondarily to the prevalent opinion that it was economically unsafe for a consumers' society to engage in production. It was assumed that an industrial plant was intended to work for the general market and not confine itself to the special requirements of small groups of consumers. Thus the authors of the "Materials" warned against the inevitable confusion and conflict of interests which would result when a consumers' coöperative should undertake to produce goods for the market.

The members of a consumers' society cannot at the same time enroll themselves as members of a producers' association because of the diversity of their outside occupations and their unfitness for the particular work, and because an industrial enterprise requires only a definite amount of labor in accordance with its own nature. It is difficult to conceive of an enterprise so varied that it would be in position to employ all the members associated as consumers; yet everyone interested in the consumers' society is also concerned in the profits derived from production. . . . The distribution of these profits might under the circumstances be unfair. . . . It is not, of course, forbidden to venture in production, but let the new enterprise be managed under its own rules, and let its benefits fall only to the workers engaged in it. The union of producers and consumers should spring from the basis of their community of interest in labor, and not in consumption.<sup>55</sup>

The national period in the history of consumers' coöperation was characterized by a strong tendency toward consolidation in district and regional unions. The Moscow Union of Consumers' Societies rose to a position of national leadership and prominence. It was then that the consumers' organizations began to venture on a somewhat broader scale in independent production for the purpose of producing marketable articles for their common requirements. Still the actual results achieved were but insignificant. Among the seventy-two enterprises operated by the member societies of the Moscow Union in 1913 there were establishments for the production of flour, soap, tobacco, boots, bricks, etc.; there were dining halls and bath-houses, but the strongest unit was represented by forty-two bakeries.<sup>56</sup> It was not a complete survey of the extent of coöperative undertakings in Russia,

<sup>55</sup> *Sbornik materialov: potrebitel'nykh obshchestv* (*Documentary Materials on Consumers' Societies*), Part III, St. Petersburg, 1875, pp. 16-17.

<sup>56</sup> *Soyuz Potrebitel'ei*, No. 39, 1918, p. 59.



but thoroughly illustrative of the lack of concerted effort and planning and the want of definition as to what really constituted a productive enterprise.

The War, mounting prices, speculation in the necessities of life, the decrease of labor power with each successive mobilization, the difficulties encountered in the importation of goods from abroad coupled with the curtailment of manufacture at home, and finally the breakdown of transportation and the great scarcity of goods, were the immediate causes which forced the coöperative organizations to organize their own factories and workshops. The leadership in the movement now belonged to the unions and federations. The accumulation of large funds, in the consumers' and credit unions especially, had called forth the need of investing them in income-yielding properties, and so forestall their devaluation. With every step in the exhaustion of the market they ventured into new fields. They leased or purchased one industrial enterprise after another, principally those in which agriculture served as the source of raw materials, such as the drying of fruit and vegetables, bacon curing, the manufacture of starch, flour, molasses, candy, sausages, and macaroni. Consumers' federations like the *Centrosoyus*, the Siberian *Zakupsbyt*, and many others, not only operated plants of national importance in order to supply the population with coöperative merchandise, but turned toward acquiring shipping and terminal facilities and the exchanging of the surpluses of their own products for goods in which other coöperative organizations had an excess over their requirements. In the chaos of industry and transportation, coöperation alone seemed to have preserved a semblance of organized trade, a will and power to maintain production and to venture into fields until then reserved to private enterprise.

There has never been a complete statistical review of coöperative undertakings in Russia. A survey undertaken at the end of 1916 by the *Centrosoyus* addressed to 15,000 organizations resulted in some 5,000 returns. These reported 253 bakeries and 100 workshops of all descriptions. A larger investigation was carried through in August of 1917, which disclosed the progress made by coöperation in the field of production. There were then 469 coöperative enterprises, exclusive of bakeries, dining halls, creameries, potato starch, and similar agricultural manufactures. Of the 469 plants, 147 belonged to coöperative unions of all kinds, and 322 to primary societies and

associations. The system of credit coöperation owned 193 plants, the consumers' organizations owned 148, while 78 belonged to "mixed" coöperative groups; the nature of 50 plants was not clearly established. The best and largest plants were held by consumers' unions. Nearly two-thirds of all establishments were found in the provinces of Great Russia, where the population was in greatest need of foodstuffs and other necessities. Heading the list of enterprises was the group of flour mills of which there were 84. The whole list was as follows:<sup>57</sup>

Flour mills	84	Iron foundries	10
Blacksmiths' shops	42	Clothing shops	10
Soap factories	29	Felt boot shops	8
Leather tanneries	28	Seed-cleaning stations	8
Boot and shoe shops	28	Rope-making works	8
Vegetable oil mills	27	Brick works	7
Agricultural implements	26	Tile works	7
Candy factories	18	Shipping concerns	6
Printing shops	17	Wheelwrights' shops	5
Sawmills	17	Tobacco factories	4
Sausage factories	15	Sugar refineries	2
Dye mills	13	Undefined	50

There were no final returns of the total number of plants, or the value of output, or workers employed. It has been estimated that in 1919 there were in Russia 1,447 coöperative enterprises employing 18,000 persons not counting agricultural enterprises, such as grist mills, creameries, cheese plants, and the like. Half of the enterprises, or 786, represented the property of the consumers' organizations; of these, 540 were in active operation, and the rest chiefly in course of building or remodeling. In a rough way, the plants acquired were typical consumers' enterprises: 49 per cent of the number produced food articles, 17 per cent worked up animal raw materials, 5 per cent produced metal wares, and the remainder embraced a long and varied list of works.<sup>58</sup> The primary coöperatives possessed usually one industrial enterprise, seldom two or three. On the other hand, the co-operative unions owned and operated on the average three, and in a number of instances six to thirteen, establishments.

The acquisition of manufacturing plants during the War by co-operative unions, especially before 1918, was unsystematic and planless. It was stimulated by the great shortage in goods, but also by

<sup>57</sup> *Soyus Potrebitelei*, No. 9, 1918, pp. 8-14.

<sup>58</sup> *Ibid.*, No. 5, 1923, pp. 11-13.

their speculative haste to invest the net gains of trade in tangible and income-yielding properties before the capital had become devaluated. Another influence was the easy, well-nigh unquestioning assumption that coöperation would succeed in every department of national economy, that private enterprise had lost the field because of its innate profit-seeking sins, and that it was therefore the duty of true coöperators to see to it that it should not be revived after the Revolution. Consumers' societies and federations without number acquired enterprises in an accidental fashion, in every field and branch of production, including plants which did not produce the best goods or the goods suitable for the coöperative rank and file. The example of the English, German, Danish, and Swiss consumers' societies producing in their own workshops one-fifth to one-third of the goods sold in their stores stimulated the imagination and the activity of the Russians. But since 1919 the *Centrosoyus* and other leading federations have advocated the need of careful surveys of the local resources and requirements before venturing in the manufacturing field. They have especially favored a system of priority, placing the manufacture of foodstuffs first, then of goods related to agricultural rehabilitation, and goods for the foreign market last in the list. They have also proposed to coördinate their work with the Soviet central planning commissions, while safeguarding the interests of local initiative and autonomy. But it was still true that diversity and independence, not concentration and coördination of effort, were the characteristics of coöperative industry. It was still planless, and their establishments were found almost in every field except the heavy industries.

But one must needs resort to the survey of April 1, 1921, in order to get a view of the diversity of coöperative industries and their territorial distribution. The survey was carried out by the *Centrosoyus* upon the restoration of consumers' coöperation to its former freedom of trade and enterprise. From the standpoint of diversity and proportional distribution no change had taken place from the time of the estimate of 1919, except in the number of undertakings recorded. The new survey covered forty-two provinces of Soviet Russia, omitting Ukraine, the Trans-Caucasus, and the Far East. It listed 1,064 enterprises; the number of workers employed in 982 establishments giving information was 16,713, or an average of 17 workers per unit. The 42 provincial consumers' unions owned 184 enterprises employing 4,618 persons; the district unions of the provinces numbered 523



enterprises with 6,822 employees; the primary consumers' societies employed 5,273 in their 357 establishments. The provincial industrial unit, measured in the average number of workers employed, was on the whole the largest. The following table shows the territorial distribution of the productive enterprises in Soviet Russia:<sup>59</sup>

<i>Regions</i>	<i>Number of</i>	
	<i>Enterprises</i>	<i>Employees</i>
Northern	146	1,119
Lake	34	494
Northwestern	63	1,029
Ural	41	799
North Caucasus	7	65
Central Asia	27	226
Industrial	211	2,279
Agricultural	236	3,764
Middle Volga	152	2,395
Lower Volga	29	451
Siberia	118	4,092
<hr/>		
Soviet Russia	1,064	16,713

The province of Moscow headed the list with 125 establishments, followed by North Dvinsk, Nizhni-Novgorod, Orlov, Tambov. The greater proportion of the productive enterprises consisted of the manufacture of foodstuffs, especially in the agricultural provinces. Metal-, fiber-, and wood-using industries predominated in the industrial region of central Russia. In Siberia, about one-half of the labor employed was concentrated in the production of goods whose source of raw supplies was the live stock and wild game of the country. Foodstuffs, footwear, and other goods of universal consumption engaged two-thirds of the establishments and about three-fourths of the labor force. The distribution of the consumers' enterprises according to kinds of raw materials utilized in the processes of manufacture was as follows:<sup>60</sup>

<sup>59</sup> *Soyus Potrebitelei*, No. 22, 1921, p. 7.

<sup>60</sup> *Ibid.*, No. 22, 1921, pp. 6-7; No. 5, 1923, p. 4. (Full account given by A. Fishgendler, *Coöperation in Soviet Russia in 1920-1921*, published by the Supreme Central Council of Consumers' Societies.)



	<i>Establishments</i>		<i>Labor employed</i>	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Foodstuffs	454	42.7	6,278	37.6
Animal products	158	14.8	3,898	23.3
Wood-using industries	122	11.5	1,804	10.8
Fiber-using industries	100	9.4	1,991	11.9
Ceramic industries	101	9.5	615	3.7
Metal-using industries	74	6.9	820	4.9
Chemical industries	27	2.5	120	0.7
Paper industries	7	0.7	134	0.8
Printing shops	17	1.6	661	4.0
Electrical supplies	4	0.4	392	2.3
Total	1,064	100.0	16,713	100.0

The facts thus presented do not reveal even for the forty-two provinces of Soviet Russia the range of productive undertakings operated by consumers' coöperative organizations. The true total was estimated at 2,000 establishments employing 25,000 persons, omitting coöperative farms, gardens, dairies, bakeries, repair shops, dining halls, etc.<sup>61</sup>

Productive enterprises naturally brought in their wake the problem of the relation between consumers' coöperation and organized labor in sharper outline than was the case when retailing and wholesaling were the main concerns of the movement. The history of consumer's coöperation was not devoid of labor controversies. Coöperation was first conceived as existing in the interests of associated consumers, and it was put forth that there were no business profits as the subject was commonly understood to which labor could advance a moral claim. But when the function of distribution was enlarged to include production for use, the demand of the workers for participation in the management and a share in the profits began to be heard in the councils of the movement. The employees argued that mere membership in a consumers' society was not a protection against low wages, sweating, and personal discrimination; indeed, in the majority of the retail and wholesale societies the hours, wages, and con-

<sup>61</sup> The author is not familiar with any account of total output of coöperative industries. Only a partial statement can be given here. It was reported that in 1922 the coöperative system of Soviet Russia proper accounted for about one-half of potato starch and flour produced, one-half of all soap, and one-tenth of vegetable oil; also, one-fourth of the creameries were owned by consumers' organizations.—*Soyus Potrebitelei*, No. 5, 1923, p. 11.

ditions of labor were hardly superior to those found in private or capitalistic enterprises. It scarcely occurred to the management of the local societies that the employment of a few operatives and clerks had brought them face to face with a labor problem and trade union organizations with their own philosophy of industry and methods of social improvement. It soon became apparent that the idea of production organized and managed by a democracy of consumers, whose object it was to eliminate business profits, was inconsistent in theory with the idea of production for sale and profit; moreover, it seemed impracticable to the minds of coöperative managers and leaders to give to each group of workers in each productive department a share in the profits of their particular labor, for the business of a coöperative wholesale was managed as one unit toward the end of better service and better goods, and no profits could be calculated with anything approaching reality or precision. The coöperative movement was not in fact a single business or industry, but extended through a wide range of growing, manufacturing, importing, retailing an endless variety of goods in demand by associated consumer-shareholders. It was reasoned, that if labor were to obtain effective control over a coöperative enterprise or joint participation in its conduct, it had need to be organized on a principle different from that underlying trade unionism; that effective labor control involved the organization of labor in an industry on a national basis, whether in shipping, mining, manufacturing, or commerce, and not merely in respect to particular industries, mines, warehouses, retail stores, etc. But it was untenable to expect the organization of labor in a single national union within the coöperative movement, side by side with the formation of labor by trades for collective bargaining in capitalistic industry.

For these reasons the wholesale societies decided at first, in accordance with the best labor opinion of the day, to grant a bonus on wages as the most desirable form of remuneration. The way was made smooth by the circumstances that in the consumers' movement coöperative officials and labor representatives were meeting as equals, both sides earnestly seeking an equitable solution of their problems. On the one hand, labor readily perceived that the coöperatives confronted with competition from private traders, and passing their profits to the members in the form of better prices or patronage dividends, could not pay wages radically different from rates ob-

taining in profit-seeking private establishments. But on the other hand, the coöperative movement consciously sought to encourage organized labor in its struggle against low wages, excessive hours, and unhealthy conditions of employment. The coöperative management advised and aided the organization of their employees in their respective trade unions. Already the first coöperative congress of 1908 established a commission on the condition of coöperative employees, which was to be guided by the principle that the movement must respect the rights of labor, supplant individual "hiring" and "firing" by a system of collective contracts and labor representation, and assume the leadership in the cause of the progressive improvement of the material and moral condition of the working force. It was proposed to organize all coöperative labor into one union without distinction of craft or occupation, but in view of the wide-flung coöperative system, the commission recommended that the workers should be encouraged to join their respective trade unions; it also advocated the organization of mixed committees in the various consumers' unions and societies for the working out of common rules and for arbitration in cases where trade unions did not exist.<sup>62</sup>

The solution was not final. It was upset by the development of socialist opposition to the coöperative movement itself and the growing agitation for the direct participation of labor in the management of coöperative enterprise. Clearly no real solution was possible so long as the national basis of industrial organization was different from that of distributive coöperation. But where labor limited its claims to matters of progressive improvements in particular trades and places, the coöperative management proved itself the pioneer in meeting their demands in a spirit of sympathetic understanding. It is to the credit of the movement that it was everywhere the leader for better wages, shorter hours, fair treatment, and human relations, and that the impulse had never come as a consequence of conflict and compulsion. It recognized the trade union as the spokesman of labor, it negotiated collective labor agreements, provided for regularity of employment, education, and social welfare, and set up boards of adjustment and arbitration in cases of important differences or impending strikes. There was never a lockout on record, and very few strikes.

<sup>62</sup> Prokopovich, *loc. cit.*, pp. 364-365.



A still different aspect of coöperation was the position of the administrative and technical workers. Their salaries were not munificent, and as a rule below those paid to experts and managers in private enterprises. But the greater security of tenure, the motive of social service and leadership, the sense of fellowship in a widespread democratic organization, were forces which bound highly-qualified men to the coöperative movement, as they bind men to the service of the State.

*Coöperative "Education and Culture."*

Education for the people is of recent origin in Russia. It was not before 1908 that the Government had passed the bill laying the foundations of universal school attendance. From an appropriation of 46,000,000 rubles in 1907 the budget of the Ministry of Public Education rose to 165,000,000 rubles in 1916, equivalent to 97,000,000 in pre-war exchange.<sup>63</sup> In addition, there were the large expenditures of the municipalities and the zemstvos for elementary education, and the popular agricultural courses conducted by the Ministry of Agriculture—1,657 courses in 1913 as compared with 21 in 1907. It is not altogether baseless to bring these few impressive facts of the progress of public instruction in pre-war Russia alongside the contemporaneous account of the expansion of the coöperative movement; the historical parallel confirms the innate relationship between the education of the people and their interest in economic methods of self-help.

The leaders of the Russian movement had never lost sight of the educational and spiritual significance of coöperation. From the beginning the coöperatives were ever more than so many stores, shops, counters, or agencies for marketing. The leaders had ever sought to inculcate in the masses the social value of coöperation as a way of life, and education was their method of enhancing the individual and social responsibilities of the membership in their common undertaking. It required time and experience to discover and to work out the best methods of coöperative education and discipline.

The early societies were poor, inconsiderable in membership or in resources. Their normal profits were reduced through the practice

<sup>63</sup> In 1867, six years after the Act of Emancipation, the budget for public instruction was 7,500,000 rubles for a population numbering eighty millions. Even in 1897 the budget was only 27,000,000 rubles.



of low prices and credit sales. Here and there a consumers' society contributed small sums for charitable, social, and educational purposes; perhaps one-fourth of their number made such contingent contributions. The movement was also poor in literary material comprehensible to the rank and file. The first popular pamphlet on coöperation appeared only in 1897; most of the literature appearing before 1900 was intended for the leaders, managers, and students of coöperation, and not at all for the man whose reading was adventurous and small. Undoubtedly, too, the legal and administrative obstacles standing in the way of coöperative unity, the lack of coordinating federations, and the energies wasted in conflicts with authorities for the right to be, had the effect of limiting and hindering the work of coöperative propaganda and education among the masses. The change came only with the great expansion of the movement after the abortive revolution of 1905-1906, with the political unrest and the critical attitudes born of it, with the advance in popular education, with the evolution of the Moscow Union of Consumers' Societies as a national federation, and finally, with the rise of district and regional consumers' unions under the unsettled conditions and confusion of the War.

Before the War the coöperative leaders were still in indecision as to their special place in popular education. Generally they held that it was really the peculiar task of state, municipal, and zemstvo authorities, that the coöperative movement demanded the concentration of all energies for economic work, and that it was the better part of wisdom to follow a policy of "prudent self-limitation." Yet another viewpoint had already won its way in the ranks of the leadership, that the success of coöperation was largely conditioned by the general level of education and the social intelligence of the masses, and not by their abstract appreciation of its principles and ultimate aims. In an environment of poverty and illiteracy, the propaganda of social idealism by lecture and pamphlet could quicken only the most sensitive, stir in a few only the memories of ancient folklore of mutual aid, and so arouse the sense of a peaceful human solution of living problems. But for the masses, living examples and cultural direction were necessary through a series of activities which included schools, newspapers, lectures, conferences, children's playgrounds, social entertainments, people's houses, amateur theatricals, concerts, choruses, excursions, reading rooms, *et cetera*. All these activities for the dis-

semination of knowledge and the enrichment of social life, which came to be known as the "non-trading" functions of coöperation, called for the active participation of the members themselves and for methods of work different from the schoolhouse.

The non-trading functions distinguished but did not separate the cultural interest from the commercial functions. Coöperation was conceived as an undivided activity uniting the aspirations for economic and social improvement and merging in itself the workaday present with hopes of future well-being, and though autonomous, the two phases of trade and culture were held within a single ultimate purpose. The non-trading activity was intended to bring into life a new social consciousness, new social forms, new mental attitudes, and to develop character and self-reliance essential for the complete mastery of the economic work at hand. It did not seek to replace the state or the local administration as agencies for education, nor the political organization which educates the sense of society and statehood. Its cultural mission was classless and politically neutral, and its main purpose was the cultivation of the associative principle in the fields of production and exchange, in the economic relationships of social groups. True, the work of coöperative propaganda and organization had a material aim directed by a commercial interest in growth and power, and esteemed in proportion to what it contributed to the success of the economic enterprise; but it would be driveling to view it as a narrow and crass commercial virtue. Coöperation carried no revolutionary changes into the capitalistic forms of trade and industry, did not dream of completely supplanting private enterprise, nor did it consciously seek the complete socialization of industry as an ideal. It welcomed fair competition. It perceived that there must always be a field for private entrepreneurs, for the man with originality and inventiveness. Its distinguishing principle was the voluntary association of individuals seeking the material benefit and the social welfare of those who had freely chosen to be included in its membership and to participate directly in an order of economic exchange which has been described as irremediably private and capitalistic. Coöperation was therefore a socializing force within the framework of the present society, taking for its function the training and directing of the creative economic instincts toward a more harmonious and rational order. In the long run it measured its success in trade by the success of the non-trading

departments in lifting the group above the domain of profit-seeking as an end in life.

The active agent of the non-trading coöperative function among the masses was the instructor or field worker. Broadly speaking, every writer, speaker, or leader of coöperation, was a teacher and a propagandist of coöperative ideals and methods. But the appellation of instructor was specifically reserved for the body of men employed by the coöperative organizations for specific tasks, which included assistance and guidance in all the practical phases of coöperative business as well as the work of propaganda and organization. They were itinerant teachers, friendly advisers, reporters of good and evil coöperative news, the living links between the local societies and the administration of the union. They went among the masses, in village and town, organizing and instructing, assisting with reports and financial statements, with problems of management and business correspondence, and the work of directing that great variety of educational and social welfare activities popularly denominated by that euphonious phrase of "education and culture."

Before the coming of coöperation, the Russian villages had no organized means of educative culture-building recreation. The only escape from the poverty and tedium of life was the public grogshops, the *kabak*. The coöperatives brought with them people's houses with small libraries and reading rooms, and with the people's house came the village theater organized and conducted by the peasant masses. The previous attempts to introduce theatrical performances originated with the country gentry and the intelligentsia and depended on them for support; but now, under the inspiration of coöperative examples, the young peasants took hold of the local stage. At first it was managed by independent associations, called musical-dramatic clubs, in order to ward off the authorities who infrequently interfered if coöperative societies were found indulging in activities outside their "proper" sphere. The clubs recruited their performers among the youth of the villages. The plays that appealed to them were those with a deep purpose and moral meaning, plays which depicted the joys and sorrows of life. Of late the coöperative play, usually the product of instructors, describing the birth, trials, and problems of the coöperative movement became a means of education. Many coöperative societies formed permanent committees for these dramatic clubs to advise them in the selection of plays and organize



the common use of scenery and other stage accessories. In Western Siberia the consumers' unions under the guidance of the *Zakupsbyt* federation especially distinguished themselves in the organization of the rural theater. At the congress convened in Moscow toward the end of 1915 by the theatrical committee of the *Centrosoyus*, the number of people's houses was reported as 600.

The inceptive work of the coöperative instructors and the generous interest of the unions had yielded a rich harvest. Self-directed educational and social welfare work gained in appeal and momentum, until on the eve of the War it came to be described as a national movement. The War had aroused fresh latent energies, the abolition of the state spirit monopoly opened the way to community organizations, and finally the Revolution released the creative instincts of the masses. The public school system was liberated from its ancient officialdom and barrack-like discipline. The significant development of the war-time period of "education and culture" was the rise of the coöperative course and school with its general and special educational program. The movement of millions into the coöperative societies brought also the sobering realization that coöperation could not flourish without the training of local leaders and the education of the members in social-mindedness. Now it was no longer a rare thing for a society to vote grants of money and other aid for the support of educational and welfare activities; it became a matter of coöperative honor and dignity. Moreover, these grants were no longer fortuitous contributions from the net profits, but expenditures to be planned in advance and provided for in the operating budget.

The "short course" was the universal and fundamental means of spreading coöperative education in the village. It was a short-term training school of one to four weeks under the leadership of one or more instructors, enrolling the young and the adult, and the women folk not infrequently. For illustration, the district union of Urzhum introduced a two weeks' course in bookkeeping and coöperative practice a month after its organization in 1918, and among the thirty-six peasant youths enrolled, who came for miles around, there were nineteen sent at the expense of their coöperative societies.<sup>64</sup> In the typical short course, about one-half of the time was given to bookkeeping, one-fourth to the theory and history of coöperation, and the remain-

<sup>64</sup> *Soyus Potrebitelei*, No. 26, 1918, p. 39.



ing hours to problems of organization, lectures on business finance, economic geography, library work, educational management, and certain aspects of community welfare work.<sup>65</sup> In the province of Vologda, all non-trading activities were centralized in the Vologda Central Agricultural Society with its staff of seventy-two instructors serving all forms of coöperation. The province was divided into small districts of ten to fifteen coöperatives which in common contributed to the maintenance of a resident instructor.<sup>66</sup>

The next step in coöperative education was the permanent school. The simplest way was to establish an "instruction department" within the organization of the union itself for the training of future instructors and other workers in coöperative employment. Such departments were commonly in the charge of the secretariat which centered in itself all the non-trading activities of the union, including statistical research, audit, and publication. A unique departure was the school established by the Ardatov Union of Coöperative Societies of the province of Nizhni-Novgorod in the autumn of 1917, for the training of coöperative and municipal workers from among the peasant class. The period of instruction covered two winter sessions, when the peasants were generally free from field labor. The school admitted persons of eighteen and older, and they were taught by readings and exercises in the class under the immediate observation of the instructors in charge, dispensing so far as practicable with the use of text books. In some places, as at Kharkov, Perm, Mariinsk, Chita, etc., the consumers' unions combined their resources in establishing independent coöperative schools with separate staffs of instruction. Unions and primary societies without number offered scholarships for the support of worthy students in these schools. In Siberia a number of consumers' and credit unions organized a common educational division, an autonomous organization concentrating coöperative education in the Altai mountain region.<sup>67</sup> In this it followed the example of the Vologda Central Agricultural Society which conducted training schools in all forms of coöperation, supervised their work, and organized conferences of instructors for the exchange of information and experience.

The aim of coöperative education in the short course or union

<sup>65</sup> *Soyus Potrebitelei*, No. 14, 1918, pp. 34-35. (Case of Yaroslav Union of Consumers' Societies.)

<sup>66</sup> *Ibid.*, No. 3-4, 1918, p. 60.

<sup>67</sup> *Ibid.*, No. 6-7, 1918, p. 9.

school was centered on the problem of training men for leadership in the primary societies, to cultivate administrative capacity and an intelligent appreciation of coöperative business principles, and to awaken the sense of social citizenship as basic to the ideals and success of the coöperative movement. Education for coöperation was thus more than a matter of practical instruction in bookkeeping, business correspondence, audit, and management. It was a matter of social amelioration, of cottage libraries and reading rooms, public lectures and theatricals, and other educational activities which enhance the life of a community.

The last step in the training of qualified coöperative workers was taken with the organization of higher schools of study and research. The teaching of coöperation in the universities was not originally begun by coöperative organizations, but its progress was entirely the result of their active interest and support. The first university courses in coöperation were given by Professor V. F. Totomiants in 1910, in one of the higher colleges of commerce in St. Petersburg, and one year later at the St. Petersburg Polytechnic Institute. In 1912, having removed to Moscow, Professor Totomiants continued giving his courses in the theory and history of coöperation at the University of Moscow and at the local Institute of Commerce. The latter soon introduced a separate department of coöperative economics, in which a number of prominent professors and practical managers occupied the chairs on consumers', credit, and agricultural coöperation, coöperative accountancy, organization, field work, etc. Similar courses were given during the War at the Institute of Agriculture in Moscow. Other universities followed suit, introducing instruction in the history and problems of coöperation, notably those of Kharkov, Kiev, Voronezh, and Omsk.

A school of a somewhat different type was the Moscow Coöperative School, first established by the *Centrosoyus* in 1913 on the premises of the privately endowed university of A. L. Shanyavsky or better known as the Moscow People's University. The school opened its doors in the autumn of 1915, with an enrolment of 65, at the time of the fiftieth anniversary of coöperation in Russia. In 1916 and 1917, more than 300 students received their education at this school, and by 1918 it had graduated 800 coöperative workers.<sup>68</sup> Although it was at first planned to admit only those having the equivalence of a

<sup>68</sup> *Ibid.*, No. 14, 1918, p. 26.

university education, the school received all applicants without restriction. "Last year," its report read, "we had many soldiers with only an elementary education in our classes, and along with them sat three generals and forty university graduates." The school offered one year of intensive study in four main divisions, namely, in general education, the theory and problems of coöperation, book-keeping, and marketing; only the work of the first two divisions was obligatory for all students. The work of the school was carried on mainly in conferences, discussions, and visits to coöperative plants and offices.

In 1918 the Moscow People's University inaugurated a coöperative department of its own, the Higher Coöperative School, with the active support of the central coöperative federations. It built up a special library for research in coöperation, gradually extending the scope of its work until it covered nearly every phase of the movement, under the direction of prominent economists and trained practical leaders. The purpose of the new school was to prepare men having university education, also including practical workers already in coöperative service but lacking the educational background, for positions of leadership in the coöperative movement. Over three hundred registered for its one-year course, mostly men between thirty and fifty. The general course covered coöperative theory and history, coöperative law, finance, and statistics; the practical phase of the course was related to bookkeeping and audit, and the specific problems of consumers', credit, or agricultural coöperation, in which each candidate was permitted to specialize.<sup>69</sup>

Finally, in pursuance of a resolution passed by the All-Russian Coöperative Congress to establish a distinct national center of higher education devoted exclusively to coöperation, the Coöperative Institute was formally opened on September 17, 1918, in Moscow, on the premises of the Moscow Union of Credit Societies. The coöperative Institute was assured a fixed sum of 1,500,000 rubles for the first year, and, in addition, every coöperative organization pledged itself to contribute a definite percentage of its turnover to the maintenance and development of the work of higher coöperative instruction and research. It was at its inception a graduate school of coöperative work, aiming to train qualified students of maturer years for positions of responsibility as future instructors, specialists,

<sup>69</sup> *Soyus Potrebitelei*, No. 23, 1918, pp. 7-12.



managers, editors, field workers, supervisors, in the whole field of economic and social reconstruction of Russia. The curriculum of the Institute was planned for two years; the first year was common for all students, whose time was devoted to economic theory, agricultural economics, finance, economic history, coöperation in theory and practice, accountancy, and statistics; the second year was given up to specialization in consumers', credit, or agricultural coöperation, with further training in coöperative accounting and statistics.<sup>70</sup> In the selection of students preference was given to men recommended by the various coöperative organizations. Besides the full course, there were also short-term special courses of two to six weeks—in practical banking, bookkeeping, statistics, refrigeration, housing, etc. An institute of the same type was opened in 1919 at Petrograd, of which the Petrograd Society of Wholesale Supply was the founder.

There is no real standard available that would measure and weigh the contribution made by the coöperative movement to non-trading activities. Before the War the annual grants in money amounted to about 150,000 rubles, of which approximately 100,000 rubles came from the consumers' organizations and about 40,000 rubles from credit coöperation. The figures expanded to millions during the War, especially with the rise of the unions. A limited statistical survey by the *Centrosoyus* on educational and cultural grants showed an average of 159 rubles in 1916 and 416 rubles in 1917 in the case of 215 reporting consumers' societies; for 71 consumers' unions the average grant amounted to 350 rubles in 1916 and 4,896 rubles in 1917, varying between a minimum of 50 rubles and a maximum of 115,300 rubles at the latter date.<sup>71</sup> The combined grants of the reporting 286 consumers' societies and unions were 39,982 rubles in 1916, and 359,136 rubles in 1917, approximately a fourfold increase in terms of pre-war exchange, and their budgets provided still more extensive appropriations for 1918. The educational appropriations of the *Centrosoyus* federation amounted to 316,445 rubles in 1916 and 1,014,193 rubles in 1917.<sup>72</sup>

<sup>70</sup> *Ibid.*, No. 26, 1918, pp. 30-32.

<sup>71</sup> *Soyus Potrebitelei*, No. 28, 1918, pp. 32-34. (The societies affiliated with the Petrograd Society of Wholesale Supply showed an average expenditure of 453 rubles in 1917, or 7.5 per cent of the net profits.—*Ibid.*, No. 21, 1918, p. 9.)

<sup>72</sup> *Ibid.*



The accounts of money grants were only signs, not summations, of the material assistance to the educational enterprise. Something of its true magnitude was revealed in the fact that over 1,000 instructors were in the service of consumers' coöperation at the end of 1917, and 1,500 in July of 1918. There was almost nowhere a consumers' union without some sort of a non-trading department and the services of an educational instructor-director. The demand for men in the field for a time seemed unlimited, and the printing presses were called upon to carry the burden of education and training. The acquisition of a printing shop was foremost in the minds of the coöperative leaders wherever a "productive department" was planned, for the publication of journals, pamphlets, books, broadsides, reports. A number of unions had separate publishing sections with permanent editors at the head. At the beginning of 1916 the coöperative press counted 40 periodical publications, which increased by 63 more in the course of 1916 and 1917. Their number rose to 143 by October 1, 1918, comprising 125 periodicals and 18 newspapers, scattered among 45 provinces. About one-half of the total were owned by consumers' unions, and the remainder by credit and agricultural coöperative institutions. The province of Moscow alone led the list with 22 printed within its borders. Only one-fourth of the coöperative journals were specialized in character, by far the greater majority devoting their pages to topics of general economic, political, scientific, and cultural interest.<sup>73</sup> In the middle of 1919 the coöperative press exceeded 200 periodical publications. The Russian movement has placed at the forefront of its non-trading activities the dissemination of knowledge in all subjects touching the life of the average man. Its publishing firms, of which there were seven in 1918,—five owned directly by coöperative federations and two independent of outside control—issued annually over 10,000 copies of books and over 5,000,000 copies of pamphlets. The number of new titles in 1918 was over 500, more than four-fifths in the field of consumers' coöperation and general economic and social problems.<sup>74</sup>

The importance and place of education and training in the co-

<sup>73</sup> *Sibirskaya Kooperatsiya*, April-May, 1918, p. 145.

<sup>74</sup> *Bulleten Selskosoyusa* (*Bulletin of the Agricultural Union*), Nos. 21-22, 1922, p. 39. The number of new titles declined from the peak of 500 in 1918 to 320 in 1919, and then to 65 in 1920, under conditions of great paper shortage and political opposition.

operative movement called for the interchange of thought and experience and for common orientation and planning. For the staffs of instructors the Revolution also meant the right and freedom of coming together and getting acquainted with fellow workers. The year 1917 had witnessed hundreds of local and provincial conferences of instructors. At the end of May, 1917, Moscow was the host of the first national gathering of instructors under the new régime. It was attended by three hundred active delegates from every part of the Empire. A special instructor's conference was again called in the autumn of 1918 by the Council of All-Russian Coöperative Congresses, also at Moscow. The two congresses seemed like the passing in review of the educational forces and interests created by the co-operative leadership during the War and Revolution. No other country possessed a like coöperative personnel, the pride of Russia's co-operative trading organizations. No other country had such an extensive and varied list of coöperative books and journals, coöperative libraries and exhibits, so rich in the sense of social purposefulness and economic democracy.

## CHAPTER V

### THE CONSOLIDATION OF CONSUMERS' COÖPERATION IN SIBERIA

#### *The Siberian Background.*

THE advance of consumers' organizations on a large scale in Siberia was even more spectacular than the progress of coöperation in the provinces of European Russia. Sparsely settled, having but few cities and towns, and an extremely inadequate system of transportation, Siberia's population of ten millions (1917) of peasant farmers and laborers was always peculiarly dependent on petty merchants for the supply of household articles, tools, and farm equipment of every sort. Town market or railway junction was too far away from the average farm; it was expensive and time-consuming for the peasant to take his produce to the market and bring back the necessary articles of town industry.

These natural disadvantages became even more glaring and unbearable during the War, with the shortage of goods and the concentration of the railway service for military requirements. The organization of local consumers' coöperatives, and their consolidation into district wholesale unions for common purchases, was a way out of the difficulty. The movement gathered in momentum with every passing month, largely under the influence of the Siberian *intelligentsia*. The country was systematically covered with leaflets, pamphlets, and books on coöperation; lectures were organized with lantern slides and charts, followed by conferences of the more energetic and class-conscious elements of the rural population. At the same time it was necessary to fight back the local storekeepers and country merchants organizing themselves against the coöperative "menace." But peasants and laborers made up their minds on the issue of the coöperative store, not so much from conviction as for the simpler reason that no other place offered more goods or better goods at more reasonable prices. They also grasped the larger economic and social implications of the movement, thanks to the intensive educational propaganda of the leaders and the fruitful experience of the coöperative creamery associations with their supply stores.

*The Spread of Consumers' Organizations.*

Before the War the Union of Siberian Creamery Associations was the only federation of coöperatives on Siberian territory. It was a strongly federated agricultural union, with district branches of administration, but with a membership consisting entirely of primary coöperatives. At the meeting of delegates in March, 1915, many delegations, following the leadership of the men from the Altai Mountain region, bolted against the union, and left it to found independent combinations of consumers' societies purely.

The War has stimulated the movement for consumers' coöperation. At the beginning of 1912, Siberia counted only 377 consumers' societies, and by 1914 the number rose to 519. But as a result of the growing scarcity in household goods they multiplied so rapidly that by 1918 there were 6,290 societies, and counting the 1,850 societies in the provinces of Perm and Orenburg of the Ural region, whose economic interests were bound up with Siberia, the number of societies was 8,140, exclusive of the stores attached to the creamery butter associations in the villages.<sup>1</sup> District unions also appeared, while none existed before the War; but feeling their individual inadequacy in trade and finance, they soon came together to form a common committee for wholesale purchases and the organized marketing of country produce. With an advance of 10,000 rubles received from the Moscow Narodny Bank in May, 1916, the committee had in the first three months a turnover amounting to 184,000 rubles. This initial success led to the decision to transform the temporary purchase-sale committee into a permanent organization. Thus the Union of Siberian Coöperative Unions *Zakupsbyt*<sup>2</sup> was set up on August 15, and a campaign of publicity was at once mapped out for the organization of local consumers' societies into district unions, and their consolidation for larger wholesale activities in the *Zakupsbyt*. It was therefore from its inception a central organization of the "third order" in structure, that is, a union of unions, each member affiliated with it being in itself a union of local distributive societies; in a limited sense, it was an organization of the fourth degree, since

<sup>1</sup> *Sibirskaya Kooperatsiya*, June-August, 1918, p. 73; February-March, 1919, pp. 17-18.

<sup>2</sup> The word *Zakupsbyt* is compounded of the two Russian nouns, *zakup* (purchase) and *sbyt* (sale).



the Union of West Siberian Coöperative Unions (*Centrosibir*) and the Union of the Steppe Coöperative Unions, both being third-order organizations, were among its members. The success of the federation was assured from the beginning; its turnover was already 590,761 rubles in September, and 1,102,764 rubles in December of 1916, and it continued to mount with every month.

The advent of the *Zakupsbyt* was the opening of a new epoch in the history of Siberian coöperation. Before its formation the work of the various unions was lacking in unity, planning, and in conscious direction; their financial resources were weak and unintegrated; their knowledge of the various markets was limited, resulting not infrequently in competition among themselves. The *Zakupsbyt* was more than a central federation of unions for wholesale supply and sale called into being by the conditions of war and disorganized markets; it was principally an ambitious economic experiment on an all-Siberian scale to establish a coördinated form of producer-consumer mutualism, to abolish waste and overlapping in the distribution of goods, and to bring about a system of planned, disciplined, and coördinated operations binding into one the ancient conflicting interests of country and town. So vast and impressive was its achievement in a comparatively brief period that it was soon in position to exert an ever increasing influence on political authorities, no matter what government was in the seat of power.

Before the War, and the coming of the *Zakupsbyt*, there was only one district consumers' union in the entire territory of Siberia and the Ural, uniting a small group of 16 primary societies. So rapid was the growth of local consumers' societies during 1916, following the first evidences of economic scarcity, and so widespread the trend toward unification, that at the time of its foundation the *Zakupsbyt* was at once joined by thirteen district and regional unions carrying with them a total of 1,958 affiliated primary societies. By the end of 1918 the shareholding membership had grown to thirty unions with 10,262 societies; in other words, in somewhat less than two and one-half years the *Zakupsbyt* was joined by seventeen new consumers' unions, and its indirect membership in the localities increased more than fivefold.<sup>3</sup> The table following presents a summary view of consumers' unions and their affiliated societies in Siberia and the Ural,

<sup>3</sup> *Sibirskaya Kooperatsya*, February-March, 1919, p. 18.

also the direct and indirect membership found in the *Zakupsbyt* federation.

	<i>Federated organizations</i>		<i>Zakupsbyt membership</i>	
	<i>Unions</i>	<i>Societies</i>	<i>Unions</i>	<i>Societies</i>
January 1, 1913	1	16	—	—
January 1, 1914	2	31	—	—
January 1, 1915	4	119	—	—
January 1, 1916	9	359	—	—
August 15, 1916	—	—	13	1,958
January 1, 1917	—	—	19	3,117
January 1, 1918	54	8,140	22	7,882
January 1, 1919	—	—	30	10,262

Another development in the field of organization was the rise of the "multiple" or chain-store consumers' society. In Siberia, the societies of Irkutsk were the first to adopt the new form, in 1917, under the name of *Truzhenik Kooperator* (*The Coöperative Toiler*). The food crisis of 1918 which stimulated the planless formation of small-store societies, also the alleged disadvantages of the urban stores as members of district unions so predominantly agricultural in their composition, contributed to the popularity of the chain-store idea. The workers' societies were especially bitter in their complaints that the district unions, which were built up chiefly in the interest of the villages, did not serve properly the varied needs of the towns, and threatened to start a movement for separation and independence.<sup>4</sup> They complained too that the small societies suffered from administrative inefficiency as a result of war-time mobilizations and the loss of able managers and accountants. The difficulty was smoothed over by granting to the urban and labor societies having a membership of 10,000 or more the privilege of direct affiliation with the *Zakupsbyt*, and to those with less than 10,000, direct business dealings but without membership.<sup>5</sup>

This favorable decision encouraged the going over of small societies to the "multiple" form, in order to benefit by direct contact with the central wholesale federation. In Tomsk, Biisk, Novo-Nikolaevsk, Barnaul, and other places, the consumers' stores centralized

<sup>4</sup> *Ibid.*, January, 1919, pp. 63-69.

<sup>5</sup> *Izvestia i Trudy Zakupsbyta* (*Bulletin and Transactions of the Zakupsbyt*), December 31, 1918, p. 23.

their operations for purchase, transport, and common administration. The country districts followed suit, as for instance the district of Kansk, where seventeen rural societies formed a central office for the purchase and transport of goods. The first congress of urban consumers' societies was convened in March of 1919, at the instance of Irkutsk, and a special bureau was set up with the purpose of furthering the chain-store movement in town and country. The newly-formed societies gained both the advantages of large-scale purchase and of small-scale retailing. The administration of the chain-store societies passed to the delegates' meeting representing all the stores, one delegate for every one hundred affiliated member-shareholders, which in its turn appointed the managing board and the auditing committee for the actual work of control and oversight.

Siberia has in the course of the War consolidated the ranks of her coöperative movement in the fields of consumption, credit, and agricultural marketing. Every form of coöperation was strongly federated. The Union of Siberian Creamery Associations was the only union which encouraged the formation of consumers' stores at each local creamery. The credit federation, *Sibcredsoyus*, was composed entirely of credit associations and their unions. The *Zakupshbyt*, a consumers' federation, indirectly federated, in 1918, 422 creamery associations and their 329 stores, or nearly one-third of the number found in the Union of Creamery Associations, owing to the fact that some of its constituted member unions were rural and "mixed" in their composition. There was even a movement on foot toward the end of 1918 to bring about the final consolidation of the entire coöperative movement of Siberia and the Ural into one integral federation, and make the first world experiment in unifying in one harmonious whole the allegedly conflicting interests of economic groups in human society. But the congress hesitated before the immensity of the issue, realized the dangers lurking in haste, and decided in favor of retaining and perfecting its present system of functional independence for every specific form of coöperation.

The table following pictures the numerical strength of the three federated forms of coöperation on January 1, 1918, and the distribution of the unions and societies among the three central federations.<sup>6</sup>

<sup>6</sup> *Sibirskaya Kooperatsiya*, June-August, 1918, pp. 73, 75.



	<i>Siberia</i>	<i>Ural</i>	<i>Total</i>	<i>Zakup- sbyt</i>	<i>Sibered- soyus</i>	<i>Union of Siberian Creamery Associations</i>
Agrientalural Coöperation:						
Unions of creameries	1	—	1	—	—	—
Creamery associations	1,832	—	1,832	422	—	1,410
Creamery stores	1,496	—	1,496	329	—	1,167
Credit Coöperation:						
Credit unions	33	14	47	—	18	—
Credit associations	1,220	—	1,220	—	1,220	—
Consumers' Coöperation:						
Consumers' unions	40	14	54	53	—	—
Consumers' societies	6,290	1,850	8,140	8,140	—	—

### *The Membership of the Zakupsbyt.*

Siberia and the Ural Mountain region had altogether, in January, 1918, 54 consumers' unions with which were affiliated 8,140 societies. Apparently there was a great number of small district unions remaining outside the *Zakupsbyt* at that time, but their combined strength represented only 258 consumers' societies, presumably the weakest in the movement. It is patent that within sixteen months after its foundation, consumers' coöperation had become solidly organized in one territorial wholesale federation.

Some of the *Zakupsbyt* members were very large unions, affiliating hundreds of primary consumers' societies. For instance, the Union of West Siberian Coöperative Unions was in itself a federation of 8 district unions representing 930 local coöperatives; that is, it represented in the all-Siberian central federation 12.3 per cent of the total societies indirectly affiliated with the *Zakupsbyt*, and 11.2 per cent of the physical membership. The Union of Northeastern Consumers' Societies, second in size, entered the central wholesale with 754 affiliated consumers' societies, or 10 per cent, and a physical membership representing 9 per cent of the total. The smallest member was the Union of Rural Coöperatives with 103 societies, or 1.4 per cent. Each affiliated union retained its corporate integrity and complete autonomy in the management of its internal affairs, the *Zakupsbyt* appearing merely as their territorial federation, carrying on commercial activities on their behalf, and coördinating their operations in the markets, in accordance with the decisions of the general congress of unions. The following is the list of the twenty-three member unions of the *Zakupsbyt* at the beginning of 1918:



*The Combined Membership of the Zakupsbyt, January 1, 1918.<sup>7</sup>*

Names of member unions	Physical membership		
	Number of societies	Per society	Total
1. Ural Union of Consumers' Societies	641	242	155,250
2. South Ural Union of Consumers' Societies	340	240	81,600
3. Union of Northeastern Consumers' Societies	754	200	150,800
4. Chelyabinsk Union of Consumers' Societies	310	230	71,300
5. Kurgan Union of Coöperatives	204	233	47,532
6. Union of the Steppe Coöperative Unions	530	200	106,000
7. Pavlodarsk Association of Coöperatives	163	194	32,000
8. Union of West-Siberian Coöperative Unions ( <i>Centrosibir</i> )	930	200	186,000
9. Semipalatinsk Union of Coöperatives	210	294	61,740
10. Altai Union of Coöperatives	425	97	41,268
11. Altai Mountain Union	165	143	23,578
12. Union of Rural Coöperatives	103	210	21,681
13. Kamensk Union of Coöperatives	196	143	28,028
14. Association <i>Ob Kooperator</i>	268	180	48,240
15. Kuznets Union of Coöperatives	115	88	10,120
16. Tomsk Union of Coöperatives	272	189	51,408
17. Mariinsk Union of Coöperatives	257	97	25,031
18. Minusinsk Union of Coöperatives	124	300	37,200
19. Yenissei Union of Coöperatives	409	244	99,796
20. Irkutsk Association of Coöperatives	312	200	62,400
21. Baikal Association of Coöperatives	206	291	60,000
22. Trans-Baikal Union of Coöperatives	281	250	70,250
23. Amur Union of Coöperatives	345	250	86,250
	7,559	—	1,657,472

It is interesting also to examine the numerical strength of this central coöperative union distributed by the provinces and territories of Siberia and the Ural Mountains, say, at the beginning of 1919. The total strength of its 30 member unions at that time was 2,417,000 households, which represented 65.2 per cent of all existing households, and including their families, 50.6 per cent of the population.

We see, then, that the 2,417,000 households thus organized through their coöperative societies and unions represented with their families a population of 10,000,000. The underlying coöperative membership of the *Zakupsbyt* continued to grow. By April 1, 1919,

<sup>7</sup> *Sibirskaya Kooperatsiya*, March, 1918, p. 144. (Of the 23 listed members, 22 were regularly constituted shareholding members.)

*Membership and Population Organized in the Zakupsbyt.*<sup>8</sup>

Area	Consumers' societies	Member- ship (in thousands)	Population		Ratio organized	
			House- holds (in thousands)	Popu- lation	House- holds	Popu- lation
Perm and Orenburg	2,666	817	1,249.7	6,178.3	65.4	52.9
Western Siberia:						
Tobolsk	681	162	392.7	2,015.8	41.2	32.1
Tomsk	2,401	536	780	4,147.3	71.3	53.6
	3,082	698	1,172.7	6,163.1	61.2	46.6
Central Siberia:						
Yenissei	743	110	195.3	998.4	56.2	43.9
Irkutsk	438	120	156.1	773.2	76.9	62.1
Trans-Baikal	554	117	172.1	896.4	67.8	52.1
	1,735	347	523.5	2,668	66.2	51.9
The Far East:						
Maritime and Amur	676	116	165	847.7	70.3	54.7
The Steppe Region:						
Akmolinsk	1,356	207	288.3	1,529.0	71.7	54.1
Semipalatinsk	522	157	182.8	981.4	85.8	63.9
Turgai	225	75	152.9	870.3	49.1	34.5
	2,103	439	624	3,380.7	70.2	51.8
Siberia and Ural	10,262	2,417	3,734.9	19,237.8	65.2	50.6

the number of district unions entering it had increased to 33, having 11,334 societies and a physical membership of 2,587,851.<sup>9</sup> But the *Zakupsbyt* had also trading operations with unions not affiliated with it, serving in this way approximately 3,000,000 households, or a population of nearly 12,000,000. The development of consumers' co-operation in the territories of Siberia and the Ural provinces was indeed extraordinary, for although containing less than 15 per cent of the population of Russia, they embraced more than 25 per cent of the coöperative consumers' societies.

This intensive growth of consumers' coöperation may be traced to the War and Revolution which isolated Siberia even to a greater degree than European Russia from the markets of the country and the world. Private trade had been slowly deteriorating under the

<sup>8</sup> *Ibid.*, February-March, 1919, p. 18.

<sup>9</sup> *Izvestia i Trudy Zakupsbyta*, April 17, 1919, p. 23.

stress of the War, and by the time of the Revolution, few private trading firms of any importance remained in Siberia. They were continually going out of existence, chiefly because of their inefficiency in practice and their inability to adapt themselves to the changing circumstances of transportation and trade. The new conditions required a system of uninterrupted purchasing of new supplies the year round at the places of production, a widespread organization of permanent agencies, and a knowledge of international markets, which the independent private firms did not command. That was the problem which the amalgamated coöperative societies sought to solve when they organized themselves into a central federation of distributive coöperation. Private speculation and general profiteering stimulated the formation of new societies and unions seeking an alliance with the *Zakupsbyt* in their struggle against private middlemen; and undoubtedly the food-control agencies of the Government, which depended on a system of orderly distribution, also contributed to the development and popularity of the consumers' organizations.

*The Working Organization of the Zakupsbyt.*

According to Article 2 of its by-laws, the Union of Siberian Coöperative Unions *Zakupsbyt* was organized for the purpose of carrying on all necessary operations falling within the scope and interests of its affiliated members in supplying them with various goods by wholesale purchase or by direct manufacture; to organize the sale of the products of agriculture and industry of its member unions; to supervise the business activities of the affiliated member unions; to promote coöperative organizations and to conduct all kinds of economic and industrial research; and to act as the spokesman of the interests of coöperation before public authorities and tribunals.

The management of the affairs of the *Zakupsbyt* was vested in the meeting of delegates representing the member unions, and in the executive board elected by a secret ballot for a term of one year at the annual meeting of delegates. In Siberia and the Ural region the member unions were commonly also the local business agents of the *Zakupsbyt*. The latter, however, had also special agencies of its own in every important Siberian city or town, a central office in Moscow, and a staff of traveling agents visiting and studying the different markets of Russia. During 1919 and 1920, agencies were

also opened abroad—in London, New York, Kobe, Shanghai, and Stockholm.

The work of the central union covered a varied field of commercial, administrative, and educational activities, extending even to the sphere of national economic policy in its endeavors to represent the interests of the coöperative movement as a whole and to contribute to the industrial rehabilitation of the country. The seat of the *Zakupsbyt* was at Novo-Nikolaevsk, where it had many highly specialized departments—auxiliary bodies organized by the executive board and usually presided over by some one member of the board.

There were in 1919 twelve such departments.<sup>10</sup> The Commercial Department classified and carried out the orders of the affiliated district unions, representing them in negotiations with commercial firms; it also controlled the trade operations of all the agencies. The Audit Department had under its charge the accounts of the head office, also controlling and supervising those of its branches and offices. It offered instruction and aided the auditing work of the affiliated unions, unifying their methods of accountancy by direct instruction and through periodic conferences of bookkeepers and accountants. The Financial Department investigated questions concerned with the financial policy of the *Zakupsbyt* and aimed to unify it with those of the affiliated unions. The Dairy Department instructed, advised, and coördinated the manufacture, assembly, and storage of butter produced by the dairies of the affiliated unions; it purchased all articles required for the dairy industry, provided cold-storage facilities, sought to improve the methods of production through education and special schools, such as the Institute of Butter-Making, and finally to organize the marketing of butter at home and abroad. The Fish Department aimed to put the fishing industry on the rivers and lakes of Siberia on a coöperative basis, to market the output, to purchase all requirements, and to improve the methods used by the fishing artels and unions. The Raw Materials Department was organized for the control of the purchase and sorting of raw materials and their sale in the domestic and foreign markets. The Industrial Department had for its main object the preparation and execution of the industrial program of the *Zakupsbyt*, also technical instruction, the coördination of the industrial activities of the

<sup>10</sup> *The Russian Coöperator*, September, 1918, p. 149.



affiliated unions, and the building of new factories and workshops on coöperative principles. The Information Department collected, classified, and distributed trade information to all members, and in other ways aimed to enlarge their knowledge of markets, industry, and finance. The Transport Department sought to overcome the existing transport difficulties, to prepare plans for the movement of large consignments of goods, and to aid public authorities in the improvement of all transportation facilities. The Secretariat advised the affiliated unions on methods of organization; it provided libraries, it published journals, books, and pamphlets dealing with questions of coöperation; it organized schools and courses; it carried on coöperative statistical investigations, and rendered legal advice and assistance to the affiliated unions and the coöperative membership in general. The Foreign Department controlled the work of the foreign agencies, collected and classified information on foreign markets, and took part in government conferences in matters of import and export. And, last, the Economic Council was engaged in investigations of economic problems confronting coöperative interests, as well as the interests of the population at large; it directed the economic policy of the *Zakupsbyt* and its affiliated unions. This body was composed of expert economists and representatives of the various departments.

The formation of the *Zakupsbyt* inaugurated a new period of co-ordination and planning in the methods of coöperative work. It marked the rapid rise of the affiliated unions both in membership and in financial strength, resulting from the economies of marketing, the elimination of wasteful competition and overlapping, and the introduction of purchasing on a large scale.

#### *Capital and Credit Resources.*

The capital of the *Zakupsbyt* was derived from four sources: (1) the share capital formed by subscriptions of not less than 2,000 rubles from each affiliated member union, together with additional contributions of 5 per cent levied on its share capital and 5 per cent of its annual net profits; (2) certain commissions on all business transactions undertaken on behalf of the membership, as established by the general meeting of delegates; (3) deductions from profits; and (4) voluntary contributions of the membership. Article 16 provided that out of the net profits remaining after all expenses not less



The owned capital of the *Zakupsbyt* was inadequate for the trading operations which this central wholesale union was called upon to carry through from the time of its inception. At the end of its first operating year, in August of 1917, the ratio of its share capital to the business turnover was only 2.55 per cent, or nearly four times less than it was normally considered as safe in coöperative practice. True, the pooling of resources had established its credit immediately with banks and private institutions, but it was also necessary, with every step in the demoralization of transport and banking facilities, to make provisions for a larger working capital. During 1917 the *Zakupsbyt* increased its share capital from 9,250 rubles to 844,949 rubles, or nearly 92 times, although the special current accounts with banks increased in the same period 6.6 times. The average monthly credit of the *Zakupsbyt* with the banks in that year was 4,457,991 rubles, of which the Moscow Narodny Bank supplied 66.4 per cent; the Russian Asiatic Bank, 23.7 per cent; the Siberian Commercial Bank, 7.1 per cent; and the remainder of 2.8 per cent by the Russian Bank for Foreign Trade.<sup>12</sup>

The financial position of the *Zakupsbyt* improved with every new issue of shares. The examination of its balance sheet shows that at the beginning of 1917 the ratio of its owned capital to the total liabilities was about 7 per cent, and that one year later the percentage rose to 14.6. On November 1, 1918 the owned capital constituted 9.5 per cent of all liabilities. And as might be expected, the borrowed funds which represented 88 per cent of all liabilities on January 1, 1917, declined to 64 per cent on January 1, 1918; they stood at 75 per cent on November 1, 1918.

At the beginning of 1919 the share capital of *Zakupsbyt* stood at 19,354,300 rubles, and all its owned capital funds amounted to 26,568,800 rubles which constituted 17.4 per cent of the total liabilities of 154,655,500 rubles.<sup>13</sup>

The *Zakupsbyt* was liable for losses to the full extent of its own properties, but its financial position was backed by the resources of the unions affiliated with it, which bore a supplementary liability for any losses sustained by it to an amount ten times the value of their shareholdings in the federation. Similarly, the primary consumers' societies bore a tenfold supplementary liability for the unions of

<sup>12</sup> *Sibirskaya Kooperatsiya*, April-May, 1918, p. 156.

<sup>13</sup> *Ibid.*, February-March, 1919, p. 30.



which they were members. In this manner, it may be justly said that financially the *Zakupsbyt* federation was backed by the entire consumers' coöperative movement of Siberia.

The financial strength of the member unions federated in the *Zakupsbyt* is shown in the summary table below, giving their consolidated balance sheet for three different periods:<sup>14</sup>

	<i>Member unions</i>	<i>Owned capital</i>	<i>Total liabilities (in thousands of rubles)</i>	<i>Ratio of capital to liabilities</i>
January 1, 1917	16	770.7	15,323.2	5.0
January 1, 1918	23	7,338.5	74,106.8	9.9
November 1, 1918	26	27,525.9	281,011.3	9.9

It is seen from the table that the ratios of owned capital among the total liabilities of the member unions were on the whole only slightly below the ratios found in the financial structure of the *Zakupsbyt* itself.

There are no complete data to show the capital resources of the Siberian consumers' movement as a whole. The aggregate owned funds of all consumers' unions and federations of Siberia on January 1, 1918, amounted to 13,087,289 rubles, of which 7,597,675 rubles represented the share capital. On January 1, 1919, the respective amounts were 53,161,147 and 31,879,233 rubles. Only a small number of district unions have not been included in this total. For January 1, 1920, the facts are less reliable, being merely estimates based on the returns of a number of the largest unions. The share capital was then placed at 107,000,000 rubles and the owned funds at 150,000,000 rubles.<sup>15</sup> Adding the 75,000,000 rubles of owned capital in the primary consumers' societies, one arrives at a total of 225,000,000 rubles.

#### *Trading Operations of the Zakupsbyt.*

The trade of the *Zakupsbyt* increased to unexpected dimensions, especially in articles of general consumption, notwithstanding the fact that the disturbed political conditions of Russia and the years of civil war, together with the closing of the frontiers and the pre-

<sup>14</sup> *Ibid.*, p. 31.

<sup>15</sup> *Izvestia Centrosoyusa*, Vladivostok, March 1, 1920, p. 17.



vailing scarcity of goods, did not permit it to develop its possibilities to the full extent. The figures illustrating the growth of the gross sales are eloquent of the position which the coöperative wholesale union came to occupy in Siberian trade. The value of the goods delivered by the *Zakupsbyt* to its affiliated unions from the time of its informal organization in 1916 to the end of 1918 is shown in the table subjoined.

*The Gross Sales of Zakupsbyt in 1916-1918.*<sup>16</sup>

	1916	1917 (in thousands of rubles)	1918
January	—	1,145.1	2,499.9
February	—	716.2	2,233.6
March	—	821.3	3,863.8
April	—	1,881.6	16,646.3
May	—	4,015.2	12,030.5
June	76.5	2,601.3	11,711.1
July	77.3	2,996.6	14,760.4
August	290.8	1,686.4	12,799
September	590.8	2,666.8	10,394
October	617.3	3,864	10,153.3
November	670.6	8,659.2	15,119.8
December	1,102.8	8,955.5	42,002.5
Total	3,426.1	40,009.5	154,214.2

The movement of the turnover on sales was thus sharply upward. The transactions of each year were always greater than the preliminary estimates of the *Zakupsbyt* managers. The increase was not only nominal, in current rubles, but it was real in the volume of goods. Even allowing for the increase of 200 per cent in the average prices of 1917 over those of the preceding year, the actual increase in the turnover of goods was still 1.7 times as great; and again, in 1918, after taking into account a further advance in prices by 150 per cent, and including the sales of the union's agency in Moscow which amounted to over 50,000,000 rubles, the physical volume of goods was still nearly 2.3 times larger than in 1917.

<sup>16</sup> *Sibirskaya Kooperatsya*, February-March, 1919, p. 21. The turnover for 1918 was in excess of 200,000,000 rubles as the table omits the account of the union's Moscow agency of 50,000,000 rubles. (For the first nine months of 1919 the turnover on sales was 127,965,400 rubles.—*The Russian Coöperator*, September, 1919, p. 139.)

The *Zakupsbyt* supplied goods not only to its member unions, but to other non-affiliated unions of consumers' societies. It has been estimated that the gross sales of the forty-three existing consumers' unions of Siberia (omitting the Ural region) during 1918 amounted to nearly 600,000,000 rubles. It appears, therefore, that the *Zakup-sbyt* supplied only about one-third of the total; the remainder of the goods required by local coöperatives were supplied by the several unions independently of their central wholesale federation. Similarly, the primary consumers' societies engaged in a good deal of buying on their own account, the rural societies averaging 50 per cent, and the urban societies nearly 80 per cent of goods sold. It is therefore difficult to establish the exact value of goods passing through coöperative channels. However, the aggregate value of goods sold by the local consumers' coöperatives to the ultimate consumers of Siberia, in the course of 1918, has been estimated roughly between 1,300,000,000 and 1,500,000,000 rubles,<sup>17</sup> which represented between one-fourth and one-third of the entire retail market of Siberia. Approximately the same proportion was maintained in 1919. It may be remarked in this connection that the civil war raging then in Siberia with all its economic dislocations interfered materially with the work of the consumers' unions and their power to serve the needs of the public. Carloads of goods from European Russia and from the Far East had never reached them, or were too late in reaching them, partly because private dealers and speculators were ever ready to bribe the military and railway officials to allow their goods to pass on the way to Western Siberia where prices for various commodities were on the average five times as high as at Vladivostok. The comparative prices at Omsk and Vladivostok in December, 1918, for representative goods, as well as the general increase of prices at Omsk against those which ruled before the War, are established in the following table:<sup>18</sup>

<sup>17</sup> *Ibid.*, p. 24.

<sup>18</sup> *The Russian Coöperator*, April, 1919, p. 54. The Trans-Siberian Railway was not capable of carrying the goods from the congested port of Vladivostok into the interior. Thus, in 1917, the monthly movement of freight from the port was about 2,000,000 puds, but in 1919 it was barely 500,000 puds even in the best months. Besides, goods sent to the interior were in danger of being requisitioned or stolen by bands of marauders in the Trans-Baikal region. Also raw materials for export accumulated at Vladivostok.—*Izvestia Centrosoyusa*, March 1, 1920.

	Prices, December, 1918		Pre-war prices at Omsk	Rate of increase at Omsk
	At Vladivostok	At Omsk (in rubles)		
High boots (pair)	30	120	8.00	15
Men's boots (pair)	50	150	12.00	12
Cotton prints (arshin)*	2	13	0.16	85
Soap (pud)	50	100	7.00	14
Salted fish (pud)	25	75	6.00	12
Honey (pound)	120	520	14.00	37
Tea (pound)	8	18	1.30	14
Raw coffee (pud)	46	230	20.00	11
Salmon (pud)	60	156	8.00	19
Pepper (pud)	85	156	8.00	19
Peas (pud)	10	35	2.00	18
Rice (pud)	21	200	8.00	33
Tobacco (pud)	60	350	—	—
Matches (case)	125	450	9.00	50
Sheet iron (pud)	—	60	3.50	17
Table knives (one)	—	9	0.50	14
Hatchets (one)	—	18	2.00	9

\* One *arshin* = 2.3 feet = 0.7 yard.

The appearance of the *Zakupsbyt* and of its member unions in any market had an immediate effect on prices, often liberating the masses from the grasp of profiteers. And the coöperative unions penetrated even into the remotest corners of Siberia. An example of their far-reaching activities is the case of the fur-hunting region of Turukhansk beyond the Arctic Circle. Itinerant merchants from the south had long monopolized the field, buying the furs at greatly depressed prices and supplying the natives with their wants at inflated prices. The trappers were perpetually in debt, driven by necessity to hunt even the young fur-bearing animals in order to increase the stock they might offer in trade to the merchant. In the first decade of the twentieth century the fur export trade of Siberia had seriously fallen as a result of the wasteful exploitation of animal life. During the War the Russian expert Tugarinov made a careful survey of 330 households and estimated that the trappers were receiving only one-fourth of the market price for their output. Then in 1917 the Yenissei Union of Coöperatives jointly with the *Zakupsbyt* federation assembled parties of furs, selling the goods direct to America and China, and repaying their full realized value to the natives less handling charges. The Yenissei Union supplied them with powder

at 400 rubles a pud, when the private dealers were charging 1,400 to 1,600 rubles, and with small shot at 140 rubles a pud against the dealers' charge of 300 to 320 rubles. The union also supplied tea, textiles, soap, salt, flour, tobacco, and other goods at prices two to four times lower, and it established a permanent agency with a co-operative inn at Turukhansk for the visiting natives.<sup>19</sup>

Turning now to a region more characteristic of western and central Siberia as a whole, it is found that the influence of organized consumers' coöperation on the speculative market of the period was quickly reflected in the state of prices. The table below was prepared by the Irkutsk office of the *Zakupsbyt* at the time of its opening; it shows the differences in the coöperative prices and the "free" private market toward the end of 1918. It was illustrative of the general situation in Siberia wherever a coöperative wholesale became a serious competitor to profiteering merchants.<sup>20</sup>

	<i>Coöperative prices (in rubles)</i>	<i>Private prices</i>
Sheet iron (pud)	17.00	80.00
Nails (pud)	43.00	200.00
Seythe	3.50	75.00
Needles (per thousand)	8.00	30.00
"Cake" tea (ease)	1,000.00	3,800.00
Matches (ease)	175.00	600.00
Overcoat	300.00	900.00
Goloshes (pair)	25.00	120.00
Salt (pud)	1.50	15.00
Calico (arshin)	2.85	11.00

Besides the turnover on the sale of goods to member unions, the *Zakupsbyt* concerned itself with operations for the purchase of various manufactured wares required by the population and also the marketing of agricultural produce and other raw materials which it collected through its agencies and member unions. This was an important function of the economic work of the *Zakupsbyt*—to organize, in the absence of strong specialized marketing organizations, the exchange of Siberian products with distant markets at home and abroad. Thus in 1917 and 1918 the *Zakupsbyt* agencies handled 23 per cent of the butter and fish destined for export from Siberia, be-

<sup>19</sup> *Sibirskaya Kooperatsya*, February-March, 1919, pp. 40-41.

<sup>20</sup> *Izvestia i Trudy Zakupsbyta*, February 13, 1919, p. 15.



sides large consignments of wool, hides, skins, furs. The total turnover on all operations during 1918, including goods sold and delivered to the member unions, was about 400,000,000 rubles.

Beginning with the year 1919 the *Zakupsbyt* organized the sale of furs, wool, bristles, flax, butter, and kindred commodities in the markets of England, the United States, Scandinavia, and Japan, and brought back into Siberia dairy and agricultural machinery, tools, textiles, sugar, fishing nets, tea, candles, chemicals, footwear, and other factory goods. The value of the goods sold abroad during 1919 amounted to \$1,700,000 and the value of goods purchased for importation into Siberia was \$12,000,000.<sup>21</sup>

At the time the *Zakupsbyt* was organized fears were generally expressed in many coöperative quarters that the central union would entail a heavy expense and be a burden to its affiliated members. But the actual results were different. The member unions have benefited materially by the economies of large purchases and the elimination of middlemen at every possible point of exchange and distribution. The operating expenses of the *Zakupsbyt* in 1917, including losses and interest, amounted to one per cent of the value of the goods bought, 0.53 per cent being for expenses proper and 0.43 per cent against interest and losses. During 1918, the gross profits were 10,168,550 rubles, forming 4.3 per cent of the turnover on purchases, and 6.1 per cent on sales. The gross working expenses amounted to 6,912,607 rubles, which constituted 2.9 per cent of turnover on purchases, and 4.1 per cent on sales. The net profits were then 3,255,943 rubles; but after allowing for various losses due to transport conditions, non-delivery of goods, seizures in transit, local differences in the rate of exchange, and other unfavorable causes, the net profits were reduced to 654,287 rubles before taxes, or 78,239 rubles less taxes.<sup>22</sup>

### *The Industries of Siberian Coöperation.*

Confronted with the dearth of consumers' goods in the Russian markets, the Siberian unions early turned their attention to independent production. Increasing scarcity compelled them to take over in haste all kinds of run-down shops and factories and put them in working order, in order to save the consumer from profiteering

<sup>21</sup> *The Russian Coöperator*, March, 1920, p. 38.

<sup>22</sup> *Ibid.*, September, 1919, p. 140.

and the general deterioration of goods produced by private firms. The lack of essential raw materials and of new machinery prevented the coöperative organizations from developing production on modern scientific lines. Under the old régime, Siberia was treated as a colonial possession, as a source of raw materials and a market for finished goods, so that little private capital went into the development of native industries. The coöperative leaders now realized that with the establishment of internal peace the economic development of the country will proceed rapidly, and they engaged in extensive propaganda for the coöperative treatment and conversion of raw materials into semi-manufactured and finished commodities. The first coöperative concern was set up by the Mariinsk Union of Coöperatives of the province of Tomsk, in 1915, with the acquisition of a leather factory. Then the movement became general. In the three years, 1916 to 1918, there were 149 industrial establishments organized in the territories of Siberia and the Ural, not counting the enterprises in the hands of the primary consumers' societies, of which 139 were in operation at the end of 1918. They were owned by the consumers' unions federated in the three central federations of *Zakupsbyt*, *Centrosibir*, and the Union of the Steppe Coöperative Unions, and were acquired to the extent of 70 per cent in 1918; only a few of them had a period of operation extending over two years. Of the total number of 139 enterprises in operation, 82 were located in the provinces of Western Siberia, 16 in Eastern Siberia, 23 in the Ural, and 18 in the Far East.<sup>23</sup> The majority of the unions owned and operated two to five industrial establishments, but a few had as many as ten.

The character of the manufactured products was almost as varied as the needs of the Siberian consumers. Over one-half of the coöperative plants were engaged in the conversion of animal products into usable commodities, such as leather, boots, lubricants, soap, candles, glue, glycerine, etc.; about 30 per cent worked up vegetable products, such as flour, oil, and hemp rope; among the metal-using shops, the production of tinware, metalware, tools, and the repair of agricultural implements and machinery were the most familiar. In the miscellaneous list of productive activities were printing shops, felt boots, candy, wearing apparel, brick, salt deposits, and fisheries. Among individual products, the list was headed by soap works, of

<sup>23</sup> *Sibirskaya Kooperatsya*, February-March, 1919, p. 2.

which there were 16 in November of 1918; leather and boot-and-shoe factories numbered 9 each, followed by felt works, rope works, oil-seed crushing mills, flour mills, etc. The printing shops acquired by the consumers' unions numbered 17, employing 1,036 workers. They issued coöperative newspapers and journals, books and pamphlets, business blanks and forms, and the like; two of the shops had over four presses each, three had four presses each, and the rest from one to three presses, while a few also operated bookbinding departments. Eight productive enterprises, among the largest, were under the direct management of the *Zakupsbyt*, such as fisheries, soap, brick, salt, flour, cardboard, and chemical works.<sup>24</sup>

The number of workers in the 139 enterprises, outside the technical staffs, was 4,414, giving an average of 34 employees per unit. The distribution of the employees by groups of enterprises, and the value of the annual output of 132 units in 1918, are shown below:<sup>25</sup>

	Workers		Value of output	
	Number	Percentage	Rubles	Percentage
Animal products	2,077	47	68,251,000	60
Vegetable products	353	8	6,368,000	6
Metal and stone	627	14	7,982,000	7
Various (mainly printing)	1,249	28	29,944,000	26.5
Extractive (mainly salt)	108	3	465,000	0.5
Total	4,414	100	113,010,000	100

The average value of the output of all plants was about 856,000 rubles, the group of animal products showing the highest average of 1,019,000 rubles. The coöperative undertakings were of modest proportions. Only a few, indeed, were large-scale modern organizations. They were acquired in a haphazard, planless way, dictated more by necessity than by considerations of sound business policy. In a circular letter addressed to the affiliated unions, recommending a permanent policy of coöperative industry, the *Zakupsbyt* federation urged in the interests of agriculture and industry to plan for the future utilization of the raw materials on the spot and to export semi-manufactured products instead, and thus save for the population the losses involved in the transportation of bulky materials over great stretches of territory. The appearance of coöperative manu-

<sup>24</sup> *Izvestia i Trudy Zakupsbyta*, December 26, 1918, pp. 9-10.

<sup>25</sup> *Sibirskaya Kooperatsya*, February-March, 1919, pp. 6-7.



facture at a time of civil warfare and general chaos in finance and trade, making orderly operations well-nigh impossible, was a sign of the vigor and initiative stirring within the mass of the population organized in their consumers' societies and federations. They possessed the courage to venture in fields untried before, against the great odds of invasion, banditry, changing governments, financial chaos, and economic dislocations. The available figures of output fail to present a clear picture of the true extent of coöperative production by locals and unions combined, and their place in serving the Siberian population. A partial view of their importance may be had from the facts showing that the coöperative leather factories utilized monthly 9,370 hides or over 11 per cent of the total output of Siberia, that about one-third of the leather used in boot-and-shoe manufacture in Siberia was consumed by them, and that the product of the coöperative flour mills amounted to 160,000 puds a month. If the student should take account of the whole field of coöperative production undertaken by all kinds of consumers', credit, and agricultural associations and unions in Siberia, the aggregate would appear not unimportant. It was estimated by such experts of Siberian conditions as Professor N. Oganovsky that by the end of 1918 the coöperative movement, in all its forms, had in its hands no less than one-fourth of the entire manufacturing output of Siberia, of which six-tenths had to do with the processing of animal raw materials. Coöperative leaders were in a great hurry to do things, to serve the country, to forestall economic ruin on every hand. The final results were of course inadequate, but the movement had gained in popular favor, in experience, and in the ability to organize their forces for wider economic usefulness in the fields of production and exchange.

#### *Education and Social Welfare Work.*

As in European Russia, the consumers' movement of Siberia was conceived on a scale broader than trading activities and material benefits. Every union federated in the *Zakupsbyt* was interested in the development of its non-trading or cultural functions, embracing field service, audit, instruction, lectures, cottage libraries, publication, social and economic research. At the end of 1918, according to the incomplete returns of 24 unions, the number of instructors maintained in the field was 222, an average of nine men to the union; some unions had ten to twenty instructors on their staffs. The con-



sumers' movement as a whole was served by about 320 field men, and nearly 150 places provided for in the coöperative budgets were unfilled for lack of qualified men.<sup>26</sup> This field of social service was specially attractive to young men under thirty, who formed nearly two-thirds of the personnel of the *Zakupsbyt*.

Generally, the educational program of the *Zakupsbyt* and of similar institutions was intended to meet the requirements of many classes of people. It was flexible and practical. The basis of all educational activity was the short-term course, headed usually by one instructor traveling from village to village, going where necessary, where wanted. This course generally lasted a week. Second in order was the district course, in the territory of a specific consumers' union, running for a term of one to three months, under the leadership of more than one instructor, carrying with them exhibits, charts, and cinema pictures of coöperation. Next in order was the term course of three to six months conducted on the premises of the union itself. Finally, there was the coöperative school under the supervision of some central federation, with a course of instruction extending for one year or longer.

In 1917 the Siberian consumers' movement had under its control two permanent coöperative schools; but the survey made then was incomplete. In the same year there were organized sixteen short-term courses in coöperation, attended by 561 persons. In 1918 there were twelve permanent coöperative schools, and besides, twenty-four consumers' unions conducted 110 short-term sessions attended by about 6,000 persons, with an average of 56 in attendance.<sup>27</sup> A study of forty-four educational programs showed that in all of them attention was given to the theory and history of coöperation, that 39 gave instruction in bookkeeping for consumers' stores, and 30 taught the organization and practice of consumers' societies.<sup>28</sup> It was no small achievement, considering the youth of the movement, the economic and political stress of the times, and the legacy of illiteracy inherited from the old régime. Their chief aim was to educate and

<sup>26</sup> *Sibirskaya Kooperatsiya*, April-June, 1919, p. 98.

<sup>27</sup> *Ibid.*, February-March, 1919, p. 98. Of the 110 courses, 41 lasted less than a month each, 51 from one to three months, 8 from three to six months, one continued for a year, while the length of 9 sessions was undetermined. (In England local coöperative courses were initiated in 1888. The average attendance for 454 courses in 1909 was 39.)

<sup>28</sup> *Ibid.*, p. 99.

train the leading and socially-conscious membership for positions of responsibility in the movement.

The consumers' unions of Siberia displayed unusual energy in the promotion of coöperative education for the rank and file and the training of local leadership throughout the movement. The problem here, as in European Russia, was twofold: to offer a general education with particular reference to the theory, history, and practice of coöperation, and to train field workers in such subjects as accountancy, business correspondence, and community welfare work. Most consumers' unions fully realized that the level of education among the people was low, that it will be a long time before the central and local governments will have schools for everybody, and that it was their duty, in the cause of coöperation, to attend to these matters at once. In many cases consumers' unions gave generously to coöperative education, although they were recent in origin and poor in means. For instance, the Mariïnsk Union of Coöperatives, at Tomsk, set aside for educational work 2,723 rubles in 1915, which represented 9.6 per cent of the net profits; 7,433 rubles, or 10.2 per cent, in 1916; and 12,248 rubles in 1917, or 16.5 per cent.<sup>29</sup> There was no uniform practice, all educational or promotive grants depending on the finances of the unions and the decision of the delegates' meetings.

The case of the Mariïnsk union was characteristic of the cultural ferment of the time, and the power of acquired coöperative experience to give it definite purpose and direction. In this period of political liberation and discussion the active coöperative leaders and members realized clearly that the interests of coöperation and freedom were inseparable from the progress of general and social education; yet schools were few, and their advantages, the ancient privilege of the well-to-do. In October of 1918, the Mariïnsk union, jointly with a number of credit coöperatives of the district, moved to establish a co-educational high school with a five-year curriculum for young persons between the ages of twelve and eighteen. The cultivation of a social sense in the young generation was to be the guiding principle of the school and the purpose of instruction. In the first year the school registered fifty pupils from thirty-three villages, children of coöperative members. It provided free tuition, food, and living accommodations. The pupils, through their self-governing

<sup>29</sup> *Soyus Potrebitelei*, No. 21, 1918, p. 9.

soviets, took charge of the dormitory, library, clubs, games, and school discipline. They also organized and managed a school co-operative for the supply of books, paper, pencils, and sundry articles. In this enterprise they were soon joined by societies formed in other schools in Mariinsk, and following the example of their elders, they set up a union of autonomous school supply societies, with a federated membership of 365 pupils.<sup>30</sup>

One cannot pass on without doing honor to the consumers' society of Irkutsk, the *Truzhenik Kooperator* (*The Coöperative Toiler*). The society was formed in 1917. In the following year it showed a net profit of 63,941 rubles, and the delegates' meeting assigned 31,000 rubles to educational and general welfare work, distributed as follows: to the employees' superannuation fund, 10,000; to the education of their children, 5,000; to the Moscow People's University a grant of 8,000; to the University of Irkutsk, 5,000; to the Institute of Siberian Exploration, 2,000; and 1,000 rubles to the library fund of the store-clerks' trade union.<sup>31</sup> Simple, untutored peasant and workingmen delegates were painfully aware that without education the fruits of the revolution would be lost, and, with the gains of their coöperative efforts in the field of supply and marketing, they stood ready to lend their assistance to every cultural claim.

Even in cultural activities there was coöperation. In many regions the individual unions and societies formed central educational committees with a common fund. One instance may be cited here, the case of the Altai mountain region. The Altai Educational Committee was organized in April, 1917, a few weeks after the Revolution. It began with the publication of political leaflets with the purpose of carrying into the villages a campaign of political education. It gave short courses in agriculture, organized people's clubs, amateur theatricals, and other forms of community welfare. The Committee was empowered in the interests of general education to promote and assist the establishment of libraries, reading rooms, schools, and courses for adults; to provide lecturers, to publish newspapers, journals, pamphlets, and books. The representatives of local political parties and school teachers were invited to join in an advisory capacity, without power to vote. During the first six months of its

<sup>30</sup> *Soyus Potrebiteli*, No. 18, 1918, pp. 14-15.

<sup>31</sup> *The Russian Coöperator*, May, 1919, p. 76.



existence, the committee had published twenty-six different pamphlets to a total number of 905,000 copies, which it mailed out to 1,200 coöperative societies, also to schools and educational organizations in the villages. It took over the publication of the weekly journal, the *Altaiski Krestyanin* (*The Altai Peasant*). In the same period it bought 42,000 books, of which 24,000 were for 170 village reading rooms which the committee was instrumental in setting up.<sup>32</sup> The books were supplied at cost, and were bound in the committee's own book-binding shops. It also began to publish the works of Siberian authors. It maintained a staff of instructors and lecturers who visited the villages, giving lectures and organizing libraries and reading clubs. Its lecturers used lantern slides wherever possible, and the committee had ordered in the United States 100 lanterns, 300 cinematographs, and 500 reels of films on historical, industrial, scientific, and social subjects. A representative of the instructors was on the managing board of the committee. It also became a member of the British Recreative Circle for the development of the film as a moral and educational force. And, in the expansive mood of internationalism, it encouraged the study of Esperanto, offering courses in the language and publishing about once a week an article in it in the various Siberian newspapers.

Finally, the *Zakupsbyt*, which federated the strongest consumers' unions, moved in the autumn of 1917 to coördinate all the educational and cultural activities of consumers' coöperation under the direction of its secretariat. It organized conferences of coöperative instructors and arranged for the exchange of lecturers among the various regions. It also established a central coöperative college and a reference library of coöperative, economic, and social subjects. The secretariat also included a legal advisory bureau, a research and statistical department, and had charge of the publication of *Sibirskaya Kooperatsya* (*Siberian Coöperation*), a closely-printed, weighty, scientific periodical on coöperative and economic subjects.

<sup>32</sup> *Ibid.*, p. 87.



## CHAPTER VI

### THE NATIONAL FEDERATION OF CONSUMERS' COÖPERATION

#### *The Founding of the First Wholesale Union.*

The All-Russian Central Union of Consumers' Societies, known throughout the world today by its abbreviated title as the *Centrosoyus* (*The Central Union*), was founded in 1917 through the reorganization of the Moscow Union of Consumers' Societies. It was then the oldest central coöperative institution in Russia, the coordinating as well as the leading organ of the coöperative movement for wholesale supply and marketing. The Moscow Union was at the time of its foundation the crowning achievement of some thirty years of local coöperative development, the consummated ambition of isolated societies to possess a nation-wide commercial and cultural center. The first petition made in 1870 asking the right to convene a coöperative congress was not granted by the Government. In November, 1895, the St. Petersburg Branch of the Committee on Rural Loan and Savings and Trades Associations again introduced the question of a coöperative union, and was successful in securing for the consumers' societies the right to send their representatives to the proposed All-Russian Congress of Trade and Industry which was to be held at the Nizhni-Novgorod fair in the following year. Thus, in the shadow of a general commercial congress, in August, 1896, a small group of coöperators, under the chairmanship of Professor I. Ozerov, had the opportunity to discuss their special problems. The problems which they raised show with what social seriousness the initiators had approached the subject of coöperation; they discussed coöperative insurance of life and property, the equal liability of federated societies, the participation of employees in the profits, international trade with the coöperative wholesale federations of Western Europe. The dominant note was the unity and concord of all coöperative forms. They agreed that the time was ripe for a permanent union of coöperative societies. Already the practice of underwriting wholesale purchases by informal agreements, which first

originated in the remote Ural Mountain regions,<sup>1</sup> at Ussolsk, Perm, and Nizhni-Tagilsk, was spreading to many parts of Russia; it was time then to consolidate the scattered and separate activities of the societies under legal forms.

Following upon that conference, the management of the "mutual benefit" consumers' society of Moscow convened a meeting of the representatives of eleven societies in and near Moscow, in October, 1896, which at once decided to form the Moscow Union of Consumers' Societies. After two years of administrative delay the incorporation of the union was officially sanctioned by the Minister of the Interior on June 20, 1898.

### *The Moscow Union before the War.*

The Moscow Union was founded in a period of political reaction and general economic unsettlement, and for nearly ten years it led a precarious existence. Eighteen societies, only one of which was rural, joined the union at the beginning, out of a total of 307 consumers' societies in Russia.<sup>2</sup> Yet the Moscow Union was truly national in membership, notwithstanding its local denomination, for ten of its members were located outside the province of Moscow, some as far as the Ural Mountains and the Trans-Baikal region of Siberia. Its declared aims were threefold in character: (1) to mobilize the financial resources and to concentrate the purchasing power of the individual societies, in order to eliminate unnecessary middlemen's functions and to effect material savings for the members; (2) to manufacture goods of mass consumption in the union's own shops and factories; and (3) to carry on coöperative education and propaganda.

The union started with a capital of 800 rubles, made up of entrance fees of 50 rubles, payable in the case of small and indigent societies over a period of five years, and of subscription shares of 50 rubles. Each member society agreed to take up a minimum of one

<sup>1</sup> I. Ozerov, *Obshchestva potrebitelei: Istoricheski ocherk ikh razvitiia v zapadnoi Evrope, Amerike i Rossii* (Consumers' Societies: The History of Their Development in Western Europe, America and Russia), St. Petersburg, 1900, 2d ed., pp. 162, 213, 220, 260.

<sup>2</sup> The eighteen societies were the strongest in the movement. Their average turnover was 345,543 rubles per annum, whereas the average for the 307 societies was 114,462 rubles. *Soyus Potrebitelei*, No. 39, 1918, p. 9.

share, and also additional shares to the extent of 3 per cent of its share capital, which maximum also constituted a member's liability for the obligations of the union irrespective of the actual number of shares held by it. The activities of the union consisted of wholesale purchasing for the affiliated members, on commission only. The union was without working capital, without trade credit, and there were doubts as to its ability to meet current expenses. The Moscow Officers' Economic Store<sup>3</sup> came to its assistance and gave it office accommodation free of charge, and here, under the walls of the Kremlin, the first consumers' wholesale federation of Russia began its business career.<sup>4</sup> In the first year the turnover amounted to 31,340 rubles.

The administrative apparatus of the Moscow Union was simple. The active management of the union was in the hands of an elected board of seven members, and its affairs were audited by an independent revision committee. The ultimate authority was the annual meeting of delegates, to which each member society sent one, and not more than three delegates. With the development of the union new amendments were introduced. In 1912, when the membership increased to 771, and the turnover was 6,241,000 rubles, the constituent societies were divided into twenty geographical groups, each group receiving the right of electing through its delegates one member of the board of management, which now consisted of twenty; the latter, from its own panel, then chose and appointed the council of directors of four members to whom the actual business management of the union was entrusted.

<sup>3</sup> The Moscow Officers' Economic Store was founded by N. P. Gibner, an army man by education and training and a devoted coöperative worker. This society published the first coöperative journal, its *Bulletin*, later changed to *Sberezhenie* (*Thrift*).

<sup>4</sup> Four and one-half years later it moved into offices of its own, consisting of four small rooms, and at the same time it began the publication of its journal, *Soyus Potrebitelei* (*The Union of Consumers*). The journal was devoted to the propagation of coöperative principles, social purposefulness, as well as matters of coöperative information and practice. Until the rise of special central unions for credit and agriculture, with their independent publications, the *Soyus Potrebitelei* was the organ of the coöperative movement as a whole. In this respect it reflected the conscious policy of the Moscow Union itself, which took the initiative in coördinating all coöperative interests. The journal is still the most important and bulky coöperative publication in Russia, but more technical and specialized in character.



The turning point in the affairs of the Moscow Union appeared after the revolutionary upheaval of 1905-1906, coinciding with the national period of coöperative growth and the advent of rural consumers' societies in its membership. It opened its own warehouse in 1907, thus becoming in fact a wholesale purchasing union; it formed the secretariat; and in 1909 it began to trade for its own account. In the early years the coöperative societies were inclined to look upon the Moscow Union as an educational or cultural center for coöperative propaganda and service, and they joined it in order to strengthen their work of instruction, publication, and audit. Trading operations by a wholesale society were regarded as of little moment and only secondary in character. However, the emphasis which thus came to be laid on education and training enabled the Moscow Union to carry the idealism of coöperation into many parts of Russia, to gain a position of foremost importance in the movement, so that from being at first primarily the non-trading educational center for the consumers' societies, it gradually became their trading wholesale center as well. So rapid was its development in trade and membership that it soon appeared imperative to impose certain restrictions on membership, in order to avoid the dangers of inevitable economic weakness that lie in mere expansion. The Moscow Union gradually weaned from itself the local consumers' societies, very wisely shifting its business to the district and regional unions, until it became itself a union of unions, instead of being a union of local societies. Only a small number of primary societies having a membership of 10,000 or over retained the right of direct affiliation with Moscow.

The following table shows the growth of the Moscow Union between 1898 and 1914 in membership, capital, and business turnover. The expansion in the six years before the War is especially arresting.



*The Growth of the Moscow Union of Consumers' Societies  
in 1898-1914.*<sup>5</sup>

November 1:	<i>Affiliated membership</i>		<i>Physical membership</i>	<i>Share capital</i> (in thousands of rubles)	<i>Turnover</i>
	<i>Societies</i>	<i>Unions</i>			
1898	21	—	—	—	—
1899	37	—	21,409	0.8	31
1900	68	—	26,973	5.2	139
1901	83	—	40,868	7.9	109
1902	108	—	40,670	9.6	178
1903	131	—	50,652	11.7	260
1904	144	—	71,657	12.4	347
1905	153	—	65,107	17.6	440
1906	166	—	65,520	19.1	291
1907	201	—	97,148	27.6	400
1908	257	—	123,025	38.6	722
1909	294	—	135,000	47.8	1,278
1910	393	—	149,058	72.7	2,360
1911	548	1	179,601	99.6	3,881
1912	771	7	225,776	185	6,241
1913	1,009	9	284,503	270	7,835
1914	1,243	19	426,968	402	10,343

The rise of the Moscow Union of Consumers' Societies to the position of a true national wholesale federation was but the counterpart of the growing strength of consumers' societies in general, from 2,675 in 1908 to 11,400 in 1915. At the latter date the societies counted 1,650,000 members, with a share capital of 32,175,000 rubles, and an annual turnover of 290,000,000 rubles, representing roughly 7 per cent of the internal trade in foodstuffs, textiles, footwear, and all other articles of final or household consumption. There was a material basis here for collective action in the wholesale markets. It was in 1907 that the Moscow Union acquired a warehouse of its own and began operating as a purchasing wholesale union on its own account instead of depending on the commissioned trade of its members exclusively. Between 1907 and 1914 the number of societies affiliated with the Moscow Union increased six times, and the turnover on sales nearly twenty-six times, although the share capital increased fourteen times in the same period, showing the greater reliance of the Union on borrowed funds and trade credit. The owned

<sup>5</sup> M. Rosenfeld, *Potrebitelskaya Kooperatsiya, 1898-1925* (Consumers' Co-operation, 1898-1925), published by *Centrosoyus*, Moscow, 1926, p. 116.

capital of the Union, in 1914, including undivided profits, reserve, building, and insurance funds, was 524,340 rubles.<sup>6</sup> As a business organization, the Union had already achieved a place of prominence and national importance on the eve of the War. It possessed its own premises in Moscow, its special brands were popular, and it made a small beginning in production for its members' requirements.

The great increase in the rural type of consumers' societies in the years before the War had not only changed the relative strength of the urban, rural, and labor groups in the composition of the Moscow Union, but had stamped the work of the federation with a profound rural interest. As may be seen from the table below the rural group became the strongest numerically, improving its relative position fivefold in six years.

*The Social Composition of the Membership of the Moscow Union.*<sup>7</sup>

November 1:	Urban		Rural		Labor		Miscellaneous		All groups	
	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio	Number	Ratio
1903	78	59.5	4	3.1	40	30.5	9	6.9	131	100
1907	103	51.1	20	10	61	30.4	17	8.5	201	100
1910	125	31.8	121	30.8	122	31	25	6.4	393	100
1913	201	19.8	559	55	204	20.1	52	5.1	1,016	100

The trade of the Moscow Union was reaching every class of consumers' society, but it became especially important with the smaller societies which depended on the wholesale to a greater extent for the supply of their requirements. The societies with a yearly turnover less than 20,000 rubles, in 1912, purchased approximately one-fourth of their goods through the Moscow Union; on the other hand, societies with a turnover exceeding 500,000 rubles purchased only 3 per cent through their federation.<sup>8</sup> But on the whole, the member societies were stocking their stores with a relatively larger propor-

<sup>6</sup> *The Russian Coöperator*, October, 1918, p. 171.

<sup>7</sup> *Potrebitelskaya kooperatsya v tsifrakh i diagrammakh (Consumers' Cooperation in Figures and Diagrams)*, Kharkov, 1922, p. 72.

<sup>8</sup> I. T. Smilga, *Sovremennaya kooperatsya i eya problemi (Contemporary Coöperation and Its Problems)*, Moscow, 1925, p. 156. The percentages referring to 1912 are as follows: Societies with turnover under 10,000 rubles, 24.1; between 10,000 and 20,000 rubles, 23.4; between 20,000 and 50,000 rubles, 20.0; between 50,000 and 100,000 rubles, 14.0; between 100,000 and 300,000 rubles, 12.0; between 300,000 and 500,000 rubles, 5.6; and above 500,000 rubles, 3.0 per cent.

tion of goods purchased through the Union; thus in 1899, they bought from it only 0.5 per cent of the goods sold by them, but the percentage rose to 1.3 in 1907, then to 7.2 in 1910, and in 1913 it stood at 10 per cent. Considered by groups, the railway and "company" consumers' societies, tended to a greater degree of independence in their purchases, while the rural and independent labor societies were doing a larger proportion of their business with the Moscow Union.<sup>9</sup> This condition made necessary the opening of local agencies, which were established in Tver (1907), Kiev (1911), Rostov-on-Don (1911), and Odessa (1913), and the promotion of independent district unions of consumers' societies.

Considering the aggregate annual turnover of consumers' societies in Russia before the War, calculated at about 290,000,000 rubles, it becomes obvious that the Moscow Union's rôle as a coöperative wholesale middleman accounted for approximately 4 per cent. In Great Britain and Denmark the wholesale unions supplied, in the respective countries, 43 and 75 per cent, of all goods sold in the local societies, while in Germany, Switzerland, and Sweden one-fifth of the goods came from the wholesale unions. The apparent backward development of the Moscow Union was only partly explained by its recent growth, but was chiefly due to the absence of intermediary links between itself and the societies scattered over a vast territory, to the absence of district unions and branch offices, to the poor state of communication rendering it difficult to supply a varied assortment of goods in small quantities on quick orders, and finally,

<sup>9</sup> The following table shows the total purchases, including amounts bought from the Moscow Union, by groups of societies, for 382 reporting in 1912.

Groups	Number	Total bought (in rubles)	From the Moscow Union of Consumers' Societies	Percentage of total
Urban	86	5,202,860	683,666	13.14
Company	73	15,062,574	818,631	5.43
Railway	8	4,222,542	278,993	6.60
Independent	23	1,939,385	385,864	19.89
Rural	192	4,188,524	728,657	18.68
Total	382	30,615,884	2,949,811	9.63

N. Makrova, *Istoricheski ocherk potrebitelskoi kooperatsii v S.S.S.R.* (*Historical Outline of Consumers' Coöperation in U.S.S.R.*), Moscow, 1925, 2d ed., p. 30.



to the absence of coöperative manufacturing plants to meet the requirements of the coöperative stores with goods of better quality at lower costs. Russian experience before the War was still for various economic and political reasons too limited in scope, and therefore an uncertain guide as to the best methods of large-scale organization in the coöperative movement.

The Moscow Union was the protagonist of one national wholesale federation, with branches at strategic points. It was opposed to the setting up of new central federations, but it favored the founding of local district unions as the links joining it to the primary coöperatives, on the ground that it was to the best business interests of the small rural society which was the predominant type in Russia. And wherever such district combinations appeared, whether legally incorporated or acting informally as trading associations on shares, the Moscow Union usually took steps to limit the activity of its local agency. On the other hand, many of the larger societies located in the Ural region and in the South opposed what they considered as the centralizing tendencies of Moscow, claiming that it could not properly serve the needs of the border territories, and that it was enfeebling the development of local coöperative initiative and autonomy. This controversy marked the beginning of a decentralizing movement in Russian coöperation, stimulated in the main by the group of labor consumers' societies, which culminated during the War in the rise of territorial consumers' federations.

The year 1911 in the history of the Moscow Union also marked the organization of the audit and inspection department for member societies, the publication of a popular coöperative journal *Obedinienie* (*Unity*), the inauguration of coöperative courses at the Shanyavsky People's University in Moscow, and the championing of coöperative causes before public and state tribunals. The special instructors' bureau carried on an active educational campaign, convened and took part in conferences on coöperative topics, arranging lectures, forming musical and dramatic circles, standardizing the methods of reporting and accounting, and issuing pamphlets and leaflets on coöperation. The central office at Moscow employed a staff numbering 320 persons in 1914, including 66 in the secretariat, with whom the union had a collective labor agreement, this being the first contract in Russia between a business firm and a number of trade unions.



*The Membership of the Centrosoyus in War Years.*

During the War years the development of the Moscow Union, to which we will now refer as the *Centrosoyus*, was especially rapid. Between 1915 and 1919 the total number of consumers' societies in Russia rose from 11,400 to 47,000, and the membership federated by them increased from 1,650,000 to nearly 17,000,000, indicating an increase of 150 per cent in the membership of the average society. The turnover of the local societies which was 290,000,000 gold rubles in 1914 rose to 1,300,000,000 gold rubles in 1917; and even in 1918, under conditions of a general falling off in the internal trade of the country, the consumers' societies were credited with a turnover of 1,000,000,000 gold rubles.

The war period has been fittingly described as a "coöperative boom" in the history of primary consumers' societies. Unions, district and regional in the scope of their operations, multiplied almost as rapidly. Naturally, they looked to the *Centrosoyus* for aid and comfort, seeking membership in it, some of them trading largely with goods received from the national wholesale union and its branches. If at the beginning of its operating year in November of 1914 the *Centrosoyus* numbered 1,243 member societies, they increased to 3,036 by November, 1917; in other words, in three years the number of affiliated primary societies increased about 2.5 times. In the same period the number of affiliated unions increased from 19 to 281, when the *Centrosoyus* was reorganized as a union of unions purely.

*The Membership of the Centrosoyus in 1914-1920.*<sup>10</sup>

<i>November 1:</i>	<i>Member societies</i>	<i>Member unions</i>	<i>Membership of societies</i>
1914	1,243	19	426,968
1915	1,737	41	474,062
1916	3,012	154	733,502
1917	3,036	281	1,084,000
1918	—	311	—
1919	—	332	—
1920	—	99	—

The dominant social group among the societies affiliated directly or indirectly with the *Centrosoyus* was the rural system of con-

<sup>10</sup> Rosenfeld, *loc. cit.*, p. 116.

sumers' societies, whose relative strength rose from 55 per cent to 66 per cent of the total in three years. The urban societies stood second in membership, followed by the "company" consumers' societies. The subjoined table represents the number of member societies by groups, according to the yearbooks of the Moscow Union of Consumers' Societies:

	January 1, 1914	January 1, 1917
Rural consumers' societies	559	2,076
Urban consumers' societies	214	471
Company consumers' societies	140	222
Special (closed) societies	21	55
Independent labor societies	43	49
Railway consumers' societies	21	29
Stores of agricultural associations	24	111
Local consumers' unions	7	154
	<hr/> 1,029	<hr/> 3,167

The membership in the *Centrosoyus* was open, first, to unions and combinations of consumers' societies with an affiliated membership of not less than 10,000 persons; second, to individual consumers' societies having the same number of members; and, third, to "mixed" unions and combinations federating primary coöperative societies of various kinds but comprising consumers' societies with not less than 10,000 members. The *Centrosoyus* was also permitted to serve non-affiliated coöperative unions and societies, as well as social, municipal, and government institutions, on conditions laid down by the general meeting of delegates. It was a national wholesale federation aiming to serve the consumers of Russia wherever possible, and to organize distribution on a more efficient basis.

At the beginning of 1919 the *Centrosoyus* numbered 327 member organizations, of which 307 were district and regional unions with an affiliation of 30,000 societies, and 20 were individual societies having a membership of over 10,000 each. The combined federated membership of all organizations in the *Centrosoyus* was about 15,000,000 persons representing over 50,000,000 of the population of Russia.<sup>11</sup> But in reality a larger population was served, as the *Centrosoyus* traded for the account of societies and institutions not affiliated with it as well. For instance, in the thirty-three provinces which constituted Soviet Russia at the beginning of 1919, containing 237 mem-

<sup>11</sup> *The Russian Coöperator*, December, 1919, p. 182.

ber unions and societies, the population served by the coöperatives was 58,193,920, or 74 per cent of the total population of 77,995,660 persons.

*Membership Organized in the Centrosoyus in 1919.*<sup>12</sup>

Province	Member unions	Societies affiliated indirectly	Population		Percentage served
			Served by societies (in thousands)	Total	
Archangel	3	313	469.6	513	91
Vologda	6	1,685	1,676	1,802.7	93
Vyatka	11	1,174	2,950.5	4,121.9	71
Ivanovo-Voznessensk	2	427	920	1,200	76
Kostroma	7	455	1,083	1,883.8	57
Novgorod	14	3,928	1,708	1,774.5	96
Olonets	5	359	435	485	89
Perm	6	1,933	3,708	4,135.6	89
Pskov	5	137	953	1,465	65
Petrograd	7	886	867.5	3,463.3	25
Tver	13	1,237	2,369	2,410	98
Yaroslav	5	816	1,448	1,464	98
Kazan	4	785	746.4	2,935	25
Orenburg	5	797	836	2,332	36
Samara	7	839	3,600	3,986.7	90
Tourgai	2	144	320	837.3	38
Uralsk	1	134	140	898	15
Ufa	6	972	2,358.4	3,170.4	74
Moghilev	9	896	879	1,389.2	63
Smolensk	8	902	1,893.2	2,225.5	85
Vladimir	6	856	1,885.8	2,250.4	88
Voronezh	3	538	2,741	3,740	73
Kalooga	8	493	1,315	1,517.6	86
Kursk	5	457	953	3,292.6	28
Moscow	26	1,308	3,765	3,743	100
Nizhni-Novgorod	5	886	1,863	2,095.8	88
Orel	8	771	2,426.4	2,850.4	88
Penza	1	363	1,663	1,967.5	84
Saratov	12	1,131	3,369.2	3,463.2	97
Simbirsk	3	229	1,590	2,136.8	74
Tambov	16	1,213	3,578	3,579.2	99
Toula	12	395	1,854	2,056	89
Ryazan	5	377	1,830	2,807.5	65
Total	237	27,835	58,193.9	77,995.7	74

<sup>12</sup> *The Russian Coöperator*, April, 1919, p. 59.

*The Aims and Management of the Centrosoyus.*

The objects of the *Centrosoyus* were directed toward the material welfare of its membership, and the development of cultural activities tending to raise the social standards of the community. This twofold aim was represented by the trading and the non-trading functions which were indissolubly bound together. The fundamental object was described in the first general rule of the articles of association passed on October 1, 1918, as "the social organization of production and the distribution of articles of consumption and household requirements on the principles of solidarity and mutual help."<sup>13</sup>

The management of the affairs of the *Centrosoyus* was in the hands of the general meeting of delegates, the council, and the board of directors. The meeting of delegates was composed of representatives from the member unions and societies, on the basis of one delegate for every 10,000 federated individual members, but no union was entitled to a representation of more than ten delegates. It met once a year to consider the reports of the board and the council, to examine the preliminary estimates and the general plan of work for the coming year, and to elect the members of the board from the panel of candidates prepared by the council. The council consisted of twenty members or more, elected for a term of four years by the meeting of delegates from amongst the candidates nominated by the associated members in the various districts. The council usually met three or four times during the year, in the interim between the annual congresses, in order to consider and to approve the most important instructions connected with the various activities of the *Centrosoyus*, to nominate the candidates for the board of directors, to consider the estimates and plans of development presented by the board, to consider certain financial matters, and, in addition, to deliver its final opinion on each report of the board before it was submitted to the delegates. The board of directors consisted of five and not more than eighteen members, charged with the conduct of all current affairs of the *Centrosoyus*.

*The Functional Organization of the Federation.*

In the course of its existence the *Centrosoyus* continually adapted itself, in the number and variety of its working departments and

<sup>13</sup> *The Russian Coöperator*, July, 1919, p. 105.



divisions, to the expanding requirements of a national consumers' union and the changing social and economic conditions of Russia. Its functional organization before the War was simple. The trading department for wholesale transactions, on members' orders or for independent purchase and warehousing, was the all-absorbing task. In direct production the federation had taken only the initial tentative steps, either in the form of inexpensive and simple processing of goods or the assembling, sorting, analysis, branding, and packaging of such commodities as coffee, tea, cocoa, vinegar, soap, drugs, and their like, in the ends of quality and uniformity. In the non-trading activities the secretariat had a variety of tasks centering around the promotion of coöperative ideas and literature, the organization of research, statistics and accounting, and the training of future workers for the movement. The whole structure of the *Centrosoyus* was intended to assure and to safeguard its democratic character in all its departments and branches, to secure for it the support of the coöperative masses, and to prevent its organization from lapsing into a form of bureaucracy.

It was during the War years, and especially after 1918, that the functions of the *Centrosoyus* became extended far beyond the boundaries of a simple trading or promotive organization. It became something more than a union representing the special interests of coöperation. It was a national institution with far-flung interests, a state within a state, as it was contemplated with excusable pride and affection by prominent coöperative leaders.

The outline of the commercial and cultural functions of the *Centrosoyus* follows.<sup>14</sup>

The management of all current commercial activities was entrusted to a Commercial Committee composed of experienced and trained workers, and presided over by a member of the board. But the actual work was carried on by a number of commodity departments and divisions. Most of them were set up during 1918, when the turnover became of sufficient importance to make it desirable to concentrate the work of one or of a group of allied commodities in a division or department. The Grain Department dealt in grain, flour, groats, and various other products such as salt, sugar, and petro-

<sup>14</sup> *Soyus Potrebitelei*, No. 39, 1918, pp. 87-92; *The Russian Coöperator*, August, 1919, p. 116; September, 1919, p. 132; October, 1919, p. 152; April, 1920, p. 57.

leum products. The sugar crisis necessitated the formation of a subdivision which had charge of the sugar-beet factories owned by the *Centrosoyus*. The Fats and Oil Department controlled the purchasing of fats and the supply of materials required in the manufacture of oils, fats, candles, and soap. The department lent its support to coöperative enterprises concerned with the production of these commodities, and aimed also to organize its own production of raw materials. The Fish and Grocery Department conducted its operations through three subdivisions dealing respectively with fish and canned goods, groceries and colonial goods, and dried vegetables and fruit. This department had purchasing agencies in Tsaritsin, Perm, Astrakhan, Vladivostok, Archangel, Helsingfors, Odessa, Rostov-on-Don, Samarkand, London, and northern Persia. The Fuel Department was engaged in coal and timber, it aided in the exploitation of forests and the formation of timber-working coöperative associations. The Dairy Department included meat products, besides butter, cheese, and eggs; it secured a firm control of the egg market formerly exploited by foreign traders. The Ironware Department was formed to meet the urgent demand for metal articles, small tools, and implements. The Textile Department, besides the distribution of textile goods under contract with government authorities, was also concerned with the establishment of its own production by contract with handicraft associations; it organized purchasing and storing agencies for textile goods at the most important points of production. The Haberdashery Department carried a large assortment of household requirements. The Footwear Department brought about an increased production of footwear through agreements with associations of boot-and-shoemakers and by organizing the distribution of leather among them through the local agencies of the *Centrosoyus*. And, finally, the Miscellaneous Department was formed of two subdivisions which handled a variety of articles; the first dealing in tea, tobacco, matches, and confectionery; the second dealing in utensils, hardware, drugs, stationery, and the like. The Raw Materials Department was set up when the general conditions of the country required the systematic collection and warehousing of raw materials for export to foreign markets, or for the use of the manufacturing plants owned by the *Centrosoyus*.

For the purpose of maintaining a general system of supervision

over commercial activities, to formulate questions of policy, and to plan out methods of organization, a special Economic and Organization Department was established. Its functions embraced the study of economic questions bearing on the commercial and industrial activities of the *Centrosoyus*; the supply of information and of expert advice on subjects connected with its activities; the execution of special tasks of a commercial and administrative nature, as well as representing the interests of the federation in its dealings with the Government and other trade organizations; and the formulation of plans aiming to coördinate the work of the various trade activities. This department was also in charge of the trade bulletins of the *Centrosoyus*.

The commercial sections did not exhaust the work of the federation. Problems of finance, clearings, credit, discounts, were under the charge of a separate Financial Department. There were also separate divisions for property and personnel administration. The Legal Department gave advice on general questions of law, and represented the affiliated unions before municipal and governmental bodies. But the departments which deserve special mention were those of transport and insurance which facilitated the movement and distribution of goods; the labor department; and the industrial department.

The Transport Department, with its subdivisions for overland and sea-borne trade, occupied a position of special importance, because of the general breakdown of the system of communication in Russia. It was the duty of the department to plan and provide for transportation on land and water, and to advise on all problems connected with tariffs and freight rates. It had special agencies at nearly every important terminal in the country from Murmansk to Astrakhan, and at points of control in Siberia and the Far East, looking to the acquisition of suitable coastal grounds and terminal warehouse facilities, and superintending the movement of cargoes at congested junctions. During 1919 the *Centrosoyus* acquired a fleet of its own on the river Volga and its various tributaries, also on the Caspian Sea, and on the Arctic Ocean. It facilitated the carriage of thousands of tons of grain and other goods from every point of Russia and Siberia, utilizing every conceivable means from railway truck to primitive towboat and peasant cart, in spite of exceptional difficulties under the political and social conditions of the time. It



began the erection of new sheds, warehouses, and repair shops at Nizhni-Novgorod and other important unloading points, equipping them with modern technical appliances. It entered into an agreement with the government of South Russia for the repair of disabled locomotives and freight cars, which were to be placed at the disposal of the federation. In 1918 the *Centrosoyus* added a subdivision of automobiles and tractors to its organization.

The Insurance Department was established on June 1, 1918, and became virtually an independent organization within the federation. It undertook to insure the property of consumers' unions and of the individual societies affiliated with them, including insurance against transport and fire risks. As the insurance obligations were guaranteed by the whole amount of the property of the *Centrosoyus*, a special fund amounting to 2,000,000 rubles was set aside for the specific needs of the department. The system of insurance was based on the principle of reciprocity, so that while the general policy had been laid down by a committee representing the affiliated unions, the profits accruing from this business were placed to the accounts of the coöperatives effecting the insurance transactions. The rates were fixed 15 per cent lower than those formerly in use by private insurance companies. The department acted in the capacity of an insurance agent for the affiliated unions of the *Centrosoyus*, insuring also its own property within the limits of the established maximum of 250,000 rubles.<sup>15</sup> All the premiums exceeding the maximum were transferred to the All-Russian Coöperative Insurance Union, an independent insurance organization, to the amount of the excess, unless the risk was otherwise covered by re-insurance. Between June, 1918, and April, 1920, the Insurance Department of the *Centrosoyus* issued over 11,000 policies for its member unions and societies. With the abolition of private insurance companies in Soviet Russia, the *Centrosoyus*, in addition to transferring some of its risks to the All-Russian Coöperative Insurance Union, also established a special fund against such large risks as fire, out of which were paid the surplus sums on properties not adequately covered otherwise.

The Labor Department was established in the second half of 1917, its purpose being to exercise a general control over questions of labor in all the commercial and industrial organizations of the *Centrosoyus*. It had a staff of twelve persons in July, 1919. The department

<sup>15</sup> *Soyus Potrebitelei*, Nos. 40-41, 1918, p. 43.



was concerned with standard rates of wages, labor arbitration, and general health protection, such as the maintenance of free medical clinics and of sanitary conditions in the shops and offices. In cases of sickness full wages were paid for three months, and half wages for the next three-month period. The *Centrosoyus* was the pioneer in Russia in establishing the minimum wage, the eight-hour and six-hour day for manual and office workers, respectively, and in forming collective agreements with all its workers in 1915. Its employees in Moscow had a voice in hiring and "firing" workers.<sup>16</sup> The educational committees of the department were especially active in the various concerns managed by the federation, organizing entertainments, lectures, excursions, evening classes for adults, children's playgrounds, crèches, clubs, choirs, musical bands, small libraries, and reading rooms. These educational and social activities were usually left to the management of the workers themselves. The department had traveling inspectors who visited the various towns where the *Centrosoyus* had its branches, shops, or factories; it collected statistical data on labor questions, and organized educational and welfare activities. At one time the *Centrosoyus* had under consideration its own scheme of health insurance and pensions, when the Act of October 31, 1918, relating to national welfare was passed, which reserved to the State alone all matters of social insurance. The educational activities were later coördinated under the general administration of the secretariat.

The productive enterprises of the *Centrosoyus* were centered in an autonomous Industrial Department, with a special council charged with the general direction of production and the planning of new enterprises. The department was presided over by a member of the board of directors. The industrial activities of the federation covered a wide and varied field,—purchasing cattle in Mongolia, organizing seal-hunting expeditions, coal mining, drying vegetables and fruit, manufacture, shipping, gathering acorns and berries. The department consisted of a number of sections: the administrative and organizing section; the commercial section, which was concerned with the work of marketing and of providing raw materials; the building section, which supervised and inspected all properties, and undertook new construction; two sections dealing with technical problems, namely, the mechanical and the chemical-industrial sections; and

<sup>16</sup> *Soyus Potrebitelei*, No. 39, 1918, pp. 70-73.

finally, the development section, which investigated and reported on new opportunities in production, drafted estimates, and supervised the execution of all approved projects. This department had also under its control a chemical laboratory for the purposes of scientific research, analysis, and testing of goods purchased or produced by the federation. During 1918 the laboratory made over 2,200 analyses and tests.

The *Centrosoyus* had also developed during the War and Revolution a widespread system of branches, offices, and purchasing agencies in every part of Russia. At the beginning of 1912, it had three branches, which were subordinated to the general administration but nominally independent in their trading and financial transactions. A fourth branch was opened in 1915, and the number increased to eight on the eve of the Revolution. It entered 1918 with thirteen branches, 1919 with seventeen, and 1920, with twenty-four branches. Including offices and agencies, the *Centrosoyus* operated in the record year of 1920 seventy-four supply and purchasing organizations at the most important cities and shipping points of Russia and Siberia. This expansion was due chiefly to the civil war and the interruption of communication with the head office at Moscow. Some of the branches, as those of Siberia, the South, and the Far East, were in effect regional federations. Branches were also established in foreign cities, in London, New York, Christiania, Stockholm, Paris, Marseilles, Helsingfors, Constantinople, Shanghai, and Kobe. The home branches of the *Centrosoyus* dealt in goods demanded by the local markets; they maintained commercial travelers, who kept the office informed on the activities and needs of the various districts. The branches and offices could open special temporary depots and agencies in connection with their operations; thus during the summer of 1918, eighty grain depots were opened in the province of Tambov alone.

The working staff of the *Centrosoyus* increased from 320 office workers on the eve of the War to 1,174 at the beginning of 1916, including 227 employed in the secretariat. Two years later, in 1918, the office staffs numbered 1,620 employees, distributed as follows: 977 in the home office at Moscow, 386 in the branches and agencies, and 257 in the offices of the manufacturing establishments. Including laborers, the *Centrosoyus* employed 4,195 persons.<sup>17</sup> Wage scales

<sup>17</sup> *Ibid.*, No. 10, 1918, p. 41.

were frequently revised, and in the early part of the War the periodical increases had fully met the rising cost of living, but as the currency began to depreciate more rapidly, wage adjustments became continually upset. According to the scales adopted for 1918, all employees were divided into fifteen classes, from directors and department chiefs down to messenger boys, and employees of class I were receiving salaries only four times larger than the scale of payments for those in class XV.<sup>18</sup>

### *Capital and Trading Operations.*

The owned financial resources of the *Centrosoyus* were represented by four kinds of capital funds—initial, share, reserve, and special. The initial capital was formed, according to the regulations of 1917, by entrance fees of 250 rubles, which were not subject to repayment on withdrawal from the federation, and by annual contributions to an amount of not less than 10 per cent from the net profits realized on the members' direct transactions with the *Centrosoyus*; this capital might be used for working operations if the meeting of delegates so decided. The share capital was made up of obligatory subscription shares, taken up by member organizations for an amount not less than one thousand-ruble share for each 1,000 persons enrolled, and of voluntary subscriptions to the shares over and above the minimum.<sup>19</sup> The reserve capital was formed from yearly deductions from the net profits of the *Centrosoyus* of not less than 20 per cent, supplemented by interest accruing to the reserve and other incidental contributions; this capital was exclusively for the purpose of covering contingent losses. The special fund was accumulated by special contributions from profits and other sources; the fund was primarily designed for the various special economic and educational needs of the *Centrosoyus*.<sup>20</sup> The liability of the affiliated member unions and societies for the financial obligations of the *Centrosoyus* extended to five times their holdings in shares.

The three tables following below show the condition of the financial statements of the *Centrosoyus* for a series of years, principally the items of owned capital and accounts payable on the side of total

<sup>18</sup> *Soyus Potrebitelei*, Nos. 34-35, 1918, p. 42.

<sup>19</sup> At the end of 1918 entrance fees and the minimum subscriptions to shares were doubled in amount.

<sup>20</sup> *The Russian Coöperator*, July, 1919, p. 106.



liabilities ; also the business turnover for the same period of time. The figures, at the end of each calendar year, are given both in current paper money and in pre-war gold rubles. The comparative statements by years must not be interpreted too literally and unqualifiedly, in either kind of money, as representing a picture of absolute growth, but rather as a trend in the active operations of the *Centrosoyus*. The qualification is important especially in the revolutionary period, because most of the goods handled by the federation belonged to the category of regulated commodities, their prices "fixed" by state authorities and rationed under a system of food cards. Since 1918 the *Centrosoyus* was called upon to participate to an ever-increasing extent in the work of provisioning and exchange, to perform the work which was properly the function of the People's Commissariat of Supply, until it became the principal state agent for supply and distribution. But it also dealt in non-regulated or "free" commodities, which were generally a great deal above the controlled market prices. We do not know the proportion between regulated and non-regulated commodities available in the market and passing through coöperative channels. Therefore, the price index of goods supplied or distributed by the *Centrosoyus* does not correspond to the cost-of-living index of the average man resorting to the "free" market, or to the index of the depreciation of money. However, considering the prevalence of fixed prices for most commodities and the intensive absorption of the *Centrosoyus* in distributive work, fulfilling the orders of the Government, it is not on the whole incorrect or misleading to employ the index of regulated goods, in order to present the trend of the *Centrosoyus's* activities in pre-war values. The statisticians of the federation used the following coefficients: for 1914, 1 ; for 1915, 1.2 ; for 1916, 1.7 ; for 1917, 4.5 ; for 1918, 20 ; for 1919, 100 ; and for 1920, 200. Early in 1921 the system of fixed prices practically disappeared and exchange values declined precipitously, so that the average index number for that year has been roughly established at 60,000.<sup>21</sup>

The consolidated liabilities for nine calendar years are presented in the table following.

<sup>21</sup> The index numbers of the Statistical-Economic Division of the *Centrosoyus* for the various periods of 1921 were as follows:

January 1, 1921	325	October, 1921	50,000
January-August, 1921	10,000	November, 1921	60,000
September, 1921	40,000	December, 1921	80,000

*Liabilities of the Home Office of the Centrosoyus.*<sup>22</sup>

<i>December 31:</i>	<i>Paper rubles</i> <i>(in millions)</i>	<i>Pre-war rubles</i>	<i>Percentage</i> <i>of change</i>
1913	2.9	2.9	—
1914	3.5	3.3	+ 13.8
1915	9	7.5	+127.3
1916	32.6	16.3	+118.6
1917	181	36.2	+122.1
1918	1,193	59.7	+ 64.9
1919	8,704	87	+ 45.9
1920	10,010	50	— 42.5
1921	1,250,258	20.9	— 58.2

The substantial growth of the *Centrosoyus* in the years of War and Revolution, and before Russia's dismemberment by contending internal political and military factions, is only too obvious, even after qualifications for possible margins of error in the employment of the price index for the purpose of translating the enormous paper values into their gold equivalent. It also appears that in the years 1918 and 1919 the balance-sheet totals were increasing at a relatively slower rate than in the war period, and that an actual decrease had taken place in 1920 and 1921; due principally to the general lack of goods in the markets and to the difficulties of effecting exchanges, and not to the loss of commercial positions by the *Centrosoyus*. The shortage of goods was a general phenomenon, noticed even in consumers' societies in 1916, and especially in 1918. The growth of the *Centrosoyus*, as here measured by its liabilities, was therefore an index of its powers of expansion in the wholesale market of the country under adverse conditions. This coöperative federation was at all times the chief distributive and supply agent, the only surviving wholesale organization of the country in times of general breakdown and profiteering, every government inevitably being driven to utilize its machinery for national uses.

The owned capital of the *Centrosoyus*, and the indebtedness as represented by notes and accounts payable, were naturally the principal items among the liabilities. In pre-war values, the owned capital of the federation rose from 484,000 rubles at the end of 1914 to

<sup>22</sup> *Otchet o deyatelnosti Centrosoyusa za 1921 god (Report of the Operations of the Centrosoyus in 1921)*, published by *Centrosoyus*, Moscow, 1922, p. 77.

3,429,000 rubles by the end of 1917, increasing 7.5 times in three years, while the indebtedness of the home office increased seven times. (The branches of the federation had no separately constituted capital, although their commercial credit accounts were independent of the Moscow office.) The condition of the chief liabilities for the whole period under consideration is presented in the next table.

*The Trend of Capital and Indebtedness in 1913-1921.*<sup>23</sup>

December 31:	Owned capital		Notes and accounts payable	
	Paper rubles	Pre-war rubles	Paper rubles	Pre-war rubles
	(in thousands of rubles)			
1913	—	—	2,300	2,344
1914	484	484	2,600	2,669
1915	810	756	7,000	5,833
1916	2,217	1,486	23,000	11,522
1917	11,202	3,429	91,100	18,233
1918	46,394	5,677	804,700	40,233
1919	117,691	6,697	4,276,000	42,763
1920	573,692	7,282	9,694,000	48,175
1921	695,092,000	8,688	491,800,000	—

The trade credit of the home office of the *Centrosoyus*, represented by its indebtedness, increased in real values sevenfold between 1914 and 1917 and more than doubled by the end of 1918. The practical stability of the size of its indebtedness after that year only reflects the unchanging state of the purely trade operations of the *Centrosoyus*. After the Bolshevik Revolution its credits were chiefly in the form of special current accounts with the People's Commissariat of Finance, until the re-opening of the State Bank in November, 1921. On the whole, the business of the *Centrosoyus* was carried on largely on credit, and the ratio of credit to the owned capital or to the aggregate liabilities was advancing throughout the years of War and Revolution. Considered in current paper values, the amount of indebtedness was nearly 5.5 times the owned capital in 1914, and 17.3 times that at the end of 1918.

The fluctuation of the owned capital resources was not strictly comparable with that of the payable notes and accounts or with the trade turnover of the *Centrosoyus*, and the considerable increase in the owned capital did not imply a corresponding improvement in

<sup>23</sup> *Ibid.*, pp. 77-78.



the finances of the federation. The paid-in share capital as a rule constituted between 80 and 85 per cent of all owned funds, and it apparently increased at a more rapid rate than the trade turnover,<sup>24</sup> notwithstanding the depreciation of the money standard, and the fact that subscriptions on membership were no longer chargeable after the nationalization of the banks and the transformation of the *Centrosoyus* into a state organ of supply and distribution. The seemingly high valuation of the owned capital account, including the share capital, is explained by the fact that the federation's accountants, in translating current values into pre-war gold rubles, did not apply the same index of depreciation used in the case of trade credit or turnover figures. It was justified on the ground that the entire paid-in share capital, as well as the smaller owned funds appearing among the liabilities, were represented among the assets by real estate and other permanent income-yielding property, and did not function as such in trade operations.<sup>25</sup>

The progressive growth of the turnover on sales, both of the federation as a whole, and of its home office in Moscow separately, is shown in the table subjoined.

<sup>24</sup> At the date of November 1, from 1914 to 1919, the amounts of share capital in gold rubles were as follows: 402,000; 619,000; 1,196,000; 2,881,000; 4,396,000; 5,031,000. (Rosenfeld, *loc. cit.*, p. 116.) On the other hand, the turnover for the calendar year 1919 was no greater than in 1916 or 1917.

It may be noted parenthetically that the share capital was rarely fully paid in cash. The union, since 1909, offered discounts on members' trade which were credited to the shares, together with declared dividends. At the end of 1912, accrued discounts formed 6 per cent of the share capital; in 1916, fully 66 per cent. (*Soyus Potrebitelei*, No. 20, 1918, p. 12.)

<sup>25</sup> The property of the *Centrosoyus*, on September 15, 1921, was calculated at 12,672,029 gold rubles, exclusive of the property of the federation in its Siberian branches, the Caucasus, the Crimea, and other places. Nor did the above figure include the value of its nationalized enterprises and other property estimated at 8,426,027 gold rubles; the account also eliminated the properties and goods turned over to the separated All-Ukrainian Union of Consumers' Societies and to other regional unions valued at 1,924,116 gold rubles.—(*Otchot . . . za 1921 god*, p. 82.)

*Turnover of the Centrosoyus in 1913-1921.*<sup>26</sup>

Year	All offices (in paper rubles)	Home office	All offices (in millions of gold rubles)	Home office
1913	7,834,777	6,174,748	7.8	6.2
1914	10,263,543	6,978,301	10.3	7
1915	22,832,612	16,132,288	19	13.4
1916	86,631,616	52,474,283	43.5	26.2
1917	210,560,157	132,654,988	42	26.5
1918	606,947,540	389,866,563	30.3	19.5
1919	4,417,942,000	2,597,153,000	44.2	26
1920	9,067,052,000	9,067,052,000	45.3	45.3
1921*	—	1,802,005,000,000	26.9	26.9

\* Figures for 1921 refer to the last four months only. The accounting of the branches was merged with the home office in Moscow in 1920 and 1921.

It appears from the table that the business of the *Centrosoyus* was especially rapid in its development before the Revolution. Considered in current values, the annual gain before the War over each preceding year was 64 per cent for 1912; 32 per cent for 1913; and 31 per cent for 1914. But in the first two war years, 1915 and 1916, the respective gains were 123 per cent and 279 per cent. The true appreciation of the facts of trade expansion is made highly difficult and complicated by the constant rise in prices, and the falling value of the ruble, which naturally helped to swell the turnover. Nevertheless, the growth was real as well as nominal to the time of the Revolution. By comparison with 1913, the business turnover of the federation increased 11 times in 1916 in current values, and 5.6 times in gold values. The average monthly turnover of the home office was 514,562 gold rubles in 1913, and 2,201,916 gold rubles in 1917. The important feature of the *Centrosoyus* trade since 1916 was the expansion in its operations for the assembling and marketing of agricultural products—grain, meats, fats, flax, hemp, wool, etc.—both on government commission and for its own account. More and more attention was given to government requirements, to the supply and distribution of state-regulated products on agreements with various departments. In 1918 the aggregate turnover declined by one-fourth, owing to the civil war, the blockade, and the interruption of communications with Siberia and the South. But in 1919 the turnover somewhat exceeded the high-water mark of 1916 and 1917, and

<sup>26</sup> *Otchot . . . za 1921 god*, pp. 77, 121, 133-134.

the relative importance of the federation in the trade of the country was even greater, because of the decreased volume of goods in the market.<sup>27</sup> However, in that year the *Centrosoyus* was chiefly a government organ for the assembling and distribution of goods.

The commission rates and other charges, usually drawn up in advance by the *Centrosoyus* planning committees, proved disappointing from the standpoint of net profits. Before the War the maximum ratio of expense was 3.2 per cent of the gross turnover. In the new environment planning and calculation of rates proved difficult matters, for the monetary standard was depreciating at a rate none could prefigure, always leaving the best calculated margins short of the actual fluctuations and local variations of exchange. In 1917, the net profits amounted to 3,126,000 rubles, or 1.53 per cent of the gross sales.

The most important branch of the *Centrosoyus* was that of South Russia. It was organized in 1918, and at the time of its liquidation on July 1, 1920, it had under its control 26 offices and agencies. It had a turnover of 23,653,166 rubles in 1918 (equivalent to 1,182,658 pre-war rubles), or 3.8 per cent of the *Centrosoyus* trade; in 1919, it amounted to 995,382,990 rubles (equivalent to 9,953,830 pre-war rubles), or 22.5 per cent of the total. The branch was practically independent in all its activities, cut off from the home office by military operations in the South. At the time of its liquidation its assets amounted to 2,205,133,070 rubles, or 11,025,665 gold rubles, of which 84 per cent represented interagency accounts, notes

<sup>27</sup> The following table shows the position of the *Centrosoyus* among the principal coöperative wholesale federations of Europe. Before the War it was seventh, but by 1917 it was third in the list. The table also shows the ratio of owned capital funds to the turnover for the various federations in 1913 and 1918:

	Turnover				Ratio of owned funds to turnover	
	1910	1913	1918	1919	1913	1918
	(in thousands of gold rubles)					
English C.W.S.	251,333	296,779	274,113	349,414	11.9	8.3
Scotch S.C.W.S.	73,201	84,799	80,835	96,880	13.4	9.0
German G.E.G.	41,054	71,323	22,628	36,227	6.3	19.1
Swiss U.S.C.	10,411	16,650	—	—	—	—
Danish F.D.B.	21,478	27,014	13,141	23,193	10.7	18.5
French M.D.G.	3,655	4,561	6,579	12,781	—	—
Russian C.S.	2,360	7,837	30,348	44,286	3.4	14.5

Rosenfeld, *loc. cit.*, pp. 124, 125.



receivable, and merchandise on hand.<sup>28</sup> But the activities of the *Centrosoyus* reached out to every part of Russia, even the remotest. In the far north, for instance, it struggled to maintain at the ports of Archangel and Murmansk some semblance of exchange with the outside world, to meet in some degree the requirements of the population for goods of prime necessity. The Archangel Purchasing Center was organized in 1917, but the prevailing conditions of trade checked its development. Cut off from Moscow in 1919, the Purchasing Center decided upon a different and more independent course; it entered into negotiations with the branches of the *Centrosoyus* abroad for the supply of the coöperative societies of the North with certain essential requirements, and organized in return the export of local raw materials, especially furs, potash, and flax. It worked under severe disadvantages. The presence of foreign troops and the military operations in the province hindered the work of the wholesale union, and its trade was further embarrassed by the issues of a guaranteed ruble currency during Allied occupancy with a fixed rate of forty rubles to the pound sterling, which had a tendency to restrict the employment of private capital in regular trade, and make speculation in the rate of exchange a more profitable enterprise. Nevertheless, the *Centrosoyus* succeeded in curbing speculation in essential commodities and freeing the northern coöperative societies from their dependence on big private trading associations, such as the Northern Supply Company. It enabled them to retain the currency got from the export of raw materials, to be expended on imported foreign goods. During 1919 the Archangel Purchasing Center received over £100,000 worth of goods bought by the *Centrosoyus* in the foreign markets of England, Norway, Sweden, and the United States.<sup>29</sup>

### *The Centrosoyus in the Revolutionary Period.*

The trade operations of the *Centrosoyus* show two characteristic tendencies beginning in 1916, and especially in the period of revolution and military communism,—the increasing importance of the

<sup>28</sup> *Potrebitelskaya kooperatsya na Ukraine za pyat let 1918-1922* (Consumers' Coöperation in Ukraine for Five Years 1918-1922), Kharkov, 1923, tables 96-97, pp. 159, 160.

<sup>29</sup> *The Russian Coöperator*, December, 1919, p. 186.

branches, and the prominent part played by the federation in the general provisioning system of the state.

Before the War, only 20 per cent of the aggregate turnover was accounted for by the branches of the *Centrosoyus*. Their share increased to 30 per cent in the years 1914 and 1915, and then to 40 per cent throughout the following four years. The combined commercial transactions of the branches were beginning to loom almost as large as the work of the home office at Moscow. It is also interesting to observe that the trade expansion of the federation was greatest with non-member organizations and institutions. Even the old régime found that it could no longer rely on private traders and it turned to the democratic coöperative organizations, charging them more and more with the work of food supply for the army and the civilian population; thus the *Centrosoyus* increased its turnover for the account of grain alone from 3,000,000 rubles in 1914 to 20,000,000 in 1916. According to the annual reports of the federation, the yearly percentage increments of sales to member unions for the four years between 1913 and 1916 were 37.9, 20.9, 98.5, and 26.6, respectively; with non-affiliated organizations the percentage gains were 8.8, 144.1, 245.2, and 306.8,<sup>30</sup> pointing to the growing nation-wide importance of the *Centrosoyus* as a supply and distributive organization during the War. This tendency became accentuated after the Revolution with the growing incapacity of the various governments to cope with the supply problem. As the agent of the Provisional Government it assembled, transported, and distributed in the crop-moving season, April to December of 1917, 2,029,258 puds of bread grains, and over 5,000,000 puds of grain in Samara province alone for government supply organizations;<sup>31</sup> also large quantities of cotton, rice, fish, etc. The branches of the *Centrosoyus* were freely utilized by the Soviet Commissariat of Supply wherever its own local administration failed, while the home office was usually charged with the duty of provisioning state departments and institutions, to the neglect of its own members. Thus, in 1919, co-operative unions received 89 per cent of the goods sold by the *Centrosoyus*, and state institutions received 10 per cent; but in 1920 the share of the former decreased to 61 per cent, and that of the latter

<sup>30</sup> Moscow Union of Consumers' Societies. *Otchet za 1916 god* (Report for 1916), p. 20.

<sup>31</sup> *Soyus Potrebitelei*, No. 13, 1918, p. 3.

rose to 34 per cent. It was particularly felt in foodstuffs, the member unions receiving in 1919 fully 84 per cent of all foodstuffs sold by this federation, and in 1920 only 8.2 per cent.<sup>32</sup>

The *Centrosoyus* had not become the distributive and supply agent of the Soviet Government, assembling and delivering goods of all sorts by contract, through an unlooked-for sudden decree. The machinery of the whole coöperative system was from the beginning of the War in a process of gradual transformation, growing more obvious and inevitable with every step in the disintegration in industry, trade, and transportation. No coöperative journal of opinion looked on the 35,000 consumers' societies with their eleven millions of members on the eve of the Bolshevik Revolution as a sign of normal or permanent coöperative development. Want and scarcity in the necessities of existence were the driving forces sending the population in millions to the consumers' stores, and the so-called consolidation of all forms of coöperative organizations in a single national "consumers' front" by Soviet fiat, organized hierarchically in district branches and provincial unions with the *Centrosoyus* at their apex,<sup>33</sup> was but the result of many years of economic dissolution. The insistent and onerous problem of how to collect and distribute a diminishing stock of supplies among the population led to the final conversion of the *Centrosoyus* into an agent of the State.

One illustration of the new system of contract-regulated coöperative trade will suffice. The *Centrosoyus*, by knitting together the interests of local unions in each province, aimed to possess itself of complete information concerning their requirements and their ability to distribute the goods among the primary societies, for unless it

<sup>32</sup> *Statisticheski Sbornik 1918-1920 (The Statistical Survey 1918-1920)*, Vol. I. It has been estimated that at the close of the earlier communist policy, in 1921, independent coöperative trade formed only 12 per cent of the *Centrosoyus* business; that under Soviet agreements, 43 per cent was for government distribution and 45 per cent for government supply. But in 1922, under the "new economic policy," independent coöperative trade was 70 per cent of the total turnover.

<sup>33</sup> The Soviet decree of March 20, 1919, converted the whole population into "members" of united consumers' societies. Under the reorganized system of 1920, there were 24,559 societies with their 46,963 stores federated in 704 district branches and 98 provincial consumers' unions, the latter in their turn members of the *Centrosoyus*. In April, 1921, the independence of the consumers' system was again restored, although the *Centrosoyus* still continued to carry out government supply orders by contract.



knew the actual facts, the allocation of a commodity to various provinces was likely to be fixed in an arbitrary manner by some government commodity bureau. For instance, before the plan of rationing some 137,000,000 arshins of textiles by the Central Textile Department of the Government, in July of 1919, among 39 provinces was determined the *Centrosoyus* submitted its plan calling for the allocation of 65 per cent of the amount through its various unions.<sup>34</sup> Household commodities thus usually passed through coöperative channels. The federation also initiated and mobilized the return movement of agricultural produce and raw materials for the use of factories and for export abroad.

Finally, a few words remain to be said about the advent of the *Centrosoyus* in the foreign field. The Russian coöperative movement even before the War was planning a course of independent action in foreign trade. The Moscow Narodny Bank, organized in 1912 with the main function of supplying its coöperative agricultural membership with credit, was bound sooner or later to place on a wholesale basis the supply of all sorts of farm requirements, as well as to lend its financial assistance in marketing the produce of its affiliated societies abroad. The War only hastened the branching out of the bank into supply and marketing operations on a larger scale in Russia and abroad. A branch of its Trade Department was opened in London in 1916. The Union of Siberian Creamery Associations had also been compelled by circumstances to open an office in London, where it could sell the dairy products of the Siberian coöperative creameries and organize return shipments of manufactured articles for the needs of their retail stores.

The War created in England a great interest in all things Russian—commercial and cultural. The coming of the coöperatives with the object of stimulating import and export trade between the two countries, had stirred the interest of the English, Scotch, and Irish wholesale coöperative societies, which were in need of raw materials for their factories and country produce for their stores. The idea of organizing international trade between their coöperative wholesale federations stimulated the imagination of the British and Russian leaders, which soon resulted in the establishment, early in 1917, of a joint committee under the name of the Russo-British Coöperative Information Bureau. The Russian representation in London

<sup>34</sup> *The Russian Coöperator*, April, 1919, p. 52.

was strengthened by the arrival in July of 1917 of the agents of the two territorial consumers' federations—the *Centrosoyus* and the *Zakupsbyt*—and of the delegates of the Central Association of Flax Growers.

The London branch of the *Centrosoyus* became the headquarters for all foreign trade activities, and offices were quickly established in New York, Christiania, Stockholm, Shanghai, and Kobe. Partly for the reason of the blockade, the *Centrosoyus* was not in a position to develop its activities to the fullest extent, and was unable to utilize certain substantial credits opened to it in the United States and Norway. Nevertheless, it succeeded in organizing shipments of manufactured goods to Russia in return for raw materials. In 1919, for instance, it imported goods to the value of \$6,100,000, about six-tenths coming from England, and exported \$3,500,000 worth of goods.<sup>35</sup>

In the same year the foreign turnover of the *Zakupsbyt* offices abroad was about \$13,700,000; the Flax Growers' Coöperative Union exported through the port of Archangel over 20,000 tons of flax fiber, or 75 per cent of Russia's flax export, valued at about \$12,500,000; and the London branch of the Moscow Narodny Bank, in addition to financing the foreign trade of the various coöperative unions of an aggregate turnover of \$150,000,000, itself sent goods to Russia valued over \$3,000,000. The two Russian territorial federations in London, the *Centrosoyus* and the *Zakupsbyt*, organized in July of 1919 a commercial expedition to Siberia through the northern route of the Kara Sea, sending a mixed cargo of sugar, salt, cottons, hardware, footwear, and chemical goods, and bringing a return shipment of flax, hemp, wool, bristles, and hides. The coöperative effort in the foreign field is impressive evidence, small as the figures are, of the persistence and the unselfish service of coöperation in the face of blockade, civil war, inadequate transport facilities, and the risks of loss and confiscation by military authorities.

In 1919 the London office of the *Centrosoyus* became incorporated under the laws of Great Britain as *Centrosoyus, Ltd.*, with a share capital of £250,000 fully paid. The action was prompted by the nationalization of the *Centrosoyus* in Russia without the preliminary approval of the new status by the elected delegates of coöperative societies and unions. The same course was taken by the foreign

<sup>35</sup> *Ibid.*, March, 1920, p. 38.

branches of the Siberian *Zakupsbyt* in London and New York, in order to protect the property of the "old" organization against interference by contending political parties. The recalcitrant directors of the *Centrosoyus* and *Zakupsbyt* abroad for a time refused to obey the orders of the new directors of the Russian federation. (By an agreement of February 6, 1920, proposing a united consumers' front for all Russia, the *Zakupsbyt* of Siberia became the Siberian Division of the *Centrosoyus*, without the formal ratification of the merger by the delegates' meeting, as provided for in the agreement.) They argued that the new directors of the federation in Russia were neither free agents under Soviet rule, nor the elected leaders of a free coöperative movement.<sup>36</sup> The conflict was finally laid in peace when the Basle International Coöperative Congress recognized the newly constituted *Centrosoyus* in Moscow, and the old directors abroad decided to hand over the business of the foreign branches to the representatives of the *Centrosoyus*.

#### *Industrial Activities of the Centrosoyus.*

Before the War coöperative production for the needs of the consumers' stores was practically non-existent. There was neither the capital nor the experience available for ventures in manufacture; yet increasing attention was given to the subject of production, with every year that the consumers' movement was gaining in commerce and perfecting its structural forms. The large volume of its trade, and the shortage of goods in the period of war, compelled the *Centrosoyus* to venture into production, to supply the needs of its member societies.

The first "productive departments" of 1913 were diminutive affairs—one-room establishments for the testing, sorting, and weighing of vinegar, coffee, olive oil, tea. The first real factory was acquired in August of 1915, by the leasing of the "Triumph" candy factory in Moscow. In the next year there were added the tobacco factory at Seslavin, and the soap factory at Kursk. These beginnings initiated an active period of expansion, and notwithstanding

<sup>36</sup> On the other hand, it was stated that it was the *old* board of the *Zakupsbyt* which had ruled, after its union with the *Centrosoyus*, to consolidate its foreign branches with those of the *Centrosoyus* in London. *Izvestia Dal-Centrosoyusa* (*The Bulletin of the Far Eastern Centrosoyus*), No. 2, 1922, p. 32.



the general unsettled conditions of Russia, the industrial activities of the *Centrosoyus* were uninterrupted to the very time of the nationalization of its properties. After the Revolution it acquired by outright purchase a number of plants, among the first being three flour mills at Rybinsk, Saratov, and Evdakovo with a combined annual output of 9,000,000 puds; this marked the beginning of a conscious program for binding together the interests of urban and rural coöperation, with the participation of other consumers' unions. The *Centrosoyus* now operated baking and biscuit establishments, a slaughter-house and canning factory at Kurgan, coal mines in the Donets region, peat works, fisheries, and fish-curing stations at Astrakhan, Kerch, Murmansk, and Archangel. It had a group of factories near Nizhni-Novgorod for the production of molasses, starch, and jam; fruit-drying and preserving plants at Samarkand, and at Sochi and Tuapse on the Black Sea coast. The boot factory at Zaraisk employing about 1,200 work-people was one of the largest in Russia. It owned mechanical, printing, box-making, and carpentry shops; soap factories at Rostov-on-Don, Odessa, Moscow, and Kursk, with a monthly output of some 1,500 tons, the plant at Rostov-on-Don being the largest in the South; also a number of oil, tobacco, brick, match, and chemical establishments. It operated a fleet of 14 steamers and 112 barges on the river Volga with a carrying capacity of 5,300,000 puds; trawlers, sailing schooners, and motor boats on the White Sea and the Arctic Ocean.<sup>37</sup>

This industrial expansion shows the vigor with which the national consumers' federation of Russia set itself to the new task of making good to some small extent the great famine in goods. While before the War only one-half of one per cent of the value of the goods sold came from its own establishments, the percentage increased to 15.27 of the total turnover in 1918.

Apart from the organization of its own manufacture, the *Centrosoyus* organized assistance to the peasants both by supplying agricultural machinery and other equipment and by the example of improved methods of land cultivation. It had four model farms in the Moscow district which not only supplied the consumers' societies of the towns but served as practical object lessons of intensive and diversified farming for the peasants. Such model farms were found

<sup>37</sup> *Soyus Potrebitelei*, 1918, Nos. 1-2, pp. 29-37; Nos. 11-12, pp. 42-43; No. 39, pp. 61-73.

*The Value of Goods Manufactured by the Centrosoyus.*<sup>38</sup>

Year	Plants operated by home	Value		Ratio of output to turnover
	office	Paper rubles	Gold rubles	
1913	1	39,770	39,770	0.58
1914	1	76,645	76,600	0.75
1915	2	299,154	250,500	1.31
1916	6	4,675,138	2,750,000	5.40
1917	12	21,811,814	4,847,000	10.36
1918	13	92,518,626	4,685,000	15.27
1919	15	245,816,818	2,458,000	5.55
1920	9	490,405,349	2,452,000	2.57

under the administration of a large number of consumers' unions throughout Russia.

This rapid survey of the productive enterprises of the *Centrosoyus*, all of them products of the period of the War and Revolution, reveal the care and straining to secure a foothold in manufacture. It is especially apparent when the money value of the productive departments is placed alongside the facts of business turnover. The ratio of the federation's manufactures to the work of the trade departments, considering the exceptional growth of the latter in the war years, was very high. From year to year the value of its manufactures, in current money, was increasing at a more rapid pace than the gross sales of its supply and distributive departments. The following table shows the annual gains:<sup>39</sup>

Year	Gain over preceding year	
	Gross sales	Manufactures
	(percentage)	
1913	—	—
1914	31	92
1915	123	290
1916	279	1,463
1917	143	323
1918	184	324
1919	628	154
1920	309	99

<sup>38</sup> *Otchot . . . za 1921 god*, p. 121. Rosenfeld, *Potrebitelskaya Kooperatsiya*, p. 116. (The number of plants operated by the *Centrosoyus* was greater than that shown in the table, which refers to the home office only. The value of goods refers to the whole federation.)

<sup>39</sup> *Soyus Potrebitelei*, No. 5, 1923, p. 12.

The year before the Revolution was the most feverish period of plant acquisition and coöperative production, representing a fourteen-fold increase in the value of output over the preceding year. It was Russia's critical war year, before the economic collapse came, when the coöperative leadership bent all their energies to forestall the threatened economic breakdown. The slackening in 1919 and 1920 is accounted for by the process of nationalization and the transfer of power to the various Soviet departments of control and supply.<sup>40</sup>

*Coöperative Education and Social Idealism.*

The description of the functions of the various departments of the *Centrosoyus* given in the preceding pages is illustrative of the social significance of the coöperative movement in general, and particularly of the social vision of the national federation as to its real place and purpose in the social and economic structure of Russia. The *Centrosoyus* never did view the coöperative movement as one of mere trading or shopkeeping. The Russian coöperative wholesale was a unique and remarkable institution of its kind, differing from the consumers' wholesale societies of Western Europe which as a rule paid little attention to social problems or left all matters of organization, propaganda, and education to special non-economic unions. In the *Centrosoyus* trade and social service activities were not divided; the contact was always close, with the result that the practical manager was never a business man only, and the trained instructor or research worker never quite a stranger to the problems of management. Both business and social idealism were ever before the board of directors, councils of supervision, and general meetings of delegates; they were never allowed to sidestep or to forget the ideal aspirations of the movement and its mission in society.

The educational and promotive activities of the *Centrosoyus* were concentrated in the so-called secretariat. It was first set up as an independent department in December of 1906, and its work entrusted

<sup>40</sup> The new reversal of policy came in 1921. The output of the *Centrosoyus* showed a gain of 941 per cent in 1921, and a gain of 41,982 per cent in 1922, over the respective preceding years.—*Ibid.*, p. 12.

The ratio of manufactured goods of *Centrosoyus* to its total business turnover was 1.97 per cent in 1921 and 7.9 per cent in 1922. Cf. *Ekonomicheskaya Zhizn* (*Economic Life*), No. 93, 1923.



to a trained staff of economists, statisticians, educators, and other experts in every field of community welfare work. In 1917 it had a permanent staff of over 200 persons. Its expenses for education and propaganda during that year amounted to 1,262,370 rubles, provided from the net profits of the commercial and industrial enterprises of the federation. In 1919 the sum assigned for this work was 10,490,500 rubles. The secretariat consisted of four distinct departments, dealing respectively with education and welfare, field service, publication, and statistical economic research.

The work of education has only within the recent past assumed the proportions of an organized movement, as the old régime was ever hostile and suspicious of the educational aims and activities of the coöperative societies. But since the Revolution a great number of peasants' and workmen's clubs, cottage libraries, reading rooms, schools for adults, children's playgrounds, amateur theaters, and co-operative exhibitions, have become established throughout the country. Only the insufficiency of trained leaders and of suitable literature held in check the development of educational and social welfare activities, a deficiency which the staff of the department sought to correct by the training of local leaders.

The work of the field service or instruction department consisted in promoting coöperative organizations, setting up their trading machinery, auditing their books from time to time in order to bring to light the weak points, or suggesting new methods of work. A consumers' union usually had its own staff of instructors, serving the needs of its affiliated local societies. The instruction department of the *Centrosoyus* confined its work entirely to its member unions, although it also gave attention to the training of local instructors; for the latter purpose it adopted a system of apprenticeship, under which properly qualified students and employees attended its special training courses. The department also prepared popular books and pamphlets on questions of coöperative organization, trade, management, and accountancy for the use of consumers' unions and societies.

The publishing department of the secretariat has grown on an enormous scale. It has created a coöperative literature unknown in other countries. Its books, pamphlets, leaflets, annual reports, posters, calendars, and notebooks were circulating in the remotest sections of Russia, in hundreds of thousands of copies. Their aggre-

gate number for 1917 was over eleven millions.<sup>41</sup> It has created a literature for the instruction of coöperative societies in every phase of their work, it has elaborated uniform systems of accounting and reporting, and issued thousands of books and pamphlets dealing with the theory and history of every phase of coöperation for every grade of reader. The turnover of the book department of the *Centrosoyus* was 125 rubles in 1904, at the time of its organization; in 1913 it was 96,636 rubles; in 1914, 200,000 rubles; in 1915, 301,000 rubles; in 1916, 1,208,090 rubles; and in 1917, 2,824,000 rubles, all amounts in pre-war exchange.<sup>42</sup> The *Centrosoyus* had become one of the few largest publishing houses of Russia, its energies concentrated in the social sciences, and its experience has upset all ideas prevailing in the Russian book trade. It not only sold books at a small margin of 10 to 12 per cent above cost, but it carried on the business without any loss.

This department had under its charge the publication of five periodicals in 1918: *Soyus Potrebitelei* (*The Union of Consumers*), the oldest and leading journal of coöperation in Russia, appearing twice a month;<sup>43</sup> *Obedinenie* (*Unity*) and *Obshchee Delo* (*Common Cause*), two popular journals for urban and rural districts, respectively; *Knizhnik* (*The Bookman*), a biographical journal appearing monthly; and *Izvestia i Trudy Centrosoyusa* (*The News Bulletin and Transactions of the Centrosoyus*), which gave complete official reports on the work of the federation and its branches. The founders of the *Centrosoyus* had from the beginning entertained a desire to establish a coöperative journal, a matter provided for in the articles of incorporation in 1898 by which the Government granted the right to publish "a journal" of information by "preliminary permission." The first journal so published was the *Soyus Potrebitelei* at the be-

<sup>41</sup> *Soyus Potrebitelei*, No. 21, 1918, p. 21.

<sup>42</sup> *Veliki Okean*, October-November, 1918, p. 130.

<sup>43</sup> In the first four years *Soyus Potrebitelei* had a small circulation, barely exceeding 400. The circulation was doubled in 1908, when the coöperative movement became national in scope. In 1912 it was 3,600; in 1916 it reached 10,700; and in 1918 the circulation was about 13,400 copies.—*Soyus Potrebitelei*, No. 2, 1923, p. 6. The two publications, *Soyus Potrebitelei* and *Obedinenie* were denied the right of publication in 1914 for an editorial opinion on the World War as a crime against humanity. A number of issues dealing with the supply problem were suppressed in 1915, also the almanac published in 1916.

ginning of 1903, but when the federation decided to publish a popular coöperative magazine in addition, under the name of *Obedinienie*, the Government refused to give its sanction because only one journal and not more than one was originally specified. The same objection was raised in 1916 when a third publication was added to the list.

The fourth department of statistics and economic research collected and analyzed the statistical data regarding the activities of the *Centrosoyus* and its affiliated unions, and studied the position of consumers' coöperation in Russia generally. It also carried on special research in the problems of prices, cost of living, wages, the position of coöperative employees, and kindred subjects, in the interests of the constituted membership of the *Centrosoyus* and the population at large. The department had a large central economic and coöperative library in Moscow of nearly 75,000 volumes, and subscribed to about four hundred periodicals, both in Russian and foreign languages.

The four departments of the secretariat joined hands in exhibitions of the progress and problems of consumers' coöperation at every opportunity offering themselves for propaganda and education,—at gatherings of delegates, instructors, bookkeepers, and at every coöperative congress or convention. In charts, diagrams, drawings, photographs, posters, or with the aid of lantern slides, they depicted every phase of the history, progress, and activity of consumers' coöperation. These exhibitions were popular and regarded as the strongest educational weapon, appealing at once to the understanding and imagination of men, and rousing worthy social motives. They circulated throughout the country, while a permanent exhibition was also maintained in connection with the All-Russian Coöperative Congresses.<sup>44</sup>

No educational or social cause went without some assistance from the *Centrosoyus*. Together with the Moscow Narodny Bank and the Committee on Rural Loan and Savings Associations, it formed at the outset of the War a central coöperative fund for the relief of the War's sufferers. It contributed materially to the establishment of a workingmen's opera house in Moscow after the Revolution; it served on committees for the preservation of works of art in the days of turmoil; and it was delegated by the Government to take charge of

<sup>44</sup> In recent years the permanent exhibition has been converted into a Museum of Coöperation.



Count Tolstoy's famous estate and home at *Yasnaya Polyana*. Mention should finally be made of the health-preserving work of the *Centrosoyuz*. In 1917 the peasants of the village of Arkhipovka presented to the federation a plot of land of twenty-seven acres on the coast of the Black Sea for the purpose of building a sanatorium for coöperative employees. Notwithstanding the War, the health resort was completed in 1918. Other donations followed, which placed at the disposal of the federation twenty-seven acres on the Volga, near Samara, 260 acres in the steppes of the Buzuluk district, and some smaller farms. In coöperation with the Moscow Narodny Bank and the Central Association of Flax Growers, it organized a special Sanatorium and Health Resort Union, to which it handed over all its establishments of this kind.



## II

# CREDIT AND AGRICULTURAL COÖPERATION

By ALEXIS N. ANTSIFEROV





## CHAPTER I

### CREDIT COÖPERATION BEFORE THE WAR<sup>1</sup>

#### *Beginnings of Coöperation.*

IN Russia, as in other countries, the first efforts to build up a system of coöperative credit were not the outcome of a popular movement but were due to the disinterested initiative of a few public-spirited men. The pioneers in Russia were the Lughinin brothers, wealthy landowners of the province of Kostroma. It was through their efforts that the first loan and savings association was founded in 1865, in the village of Dorovatovo. At that time the Russian village had just entered on a new period of economic development opened to it by the great reforms of Alexander II. The abolition of serfdom freed Russia's rural economy from the bonds of traditional patriarchal relationships. With every step in the enlargement of the market for agricultural products, the old peasant economy experienced the need of productive capital, and consequently of an organization of credit adapted to the requirements of small farming.

The venture of the two Lughinin brothers must not, therefore, be regarded as an idle whim of country gentlemen or as an ill-considered attempt to introduce a foreign practice into Russia. On the contrary, the desire to build up a rural credit system on coöperative principles and to utilize for that purpose the experience of western

<sup>1</sup> In submitting this monograph to the judgment of the reader, the author fully realizes its shortcomings and incompleteness, due to the scarcity of documentary materials outside of Russia at his command. This lack of material was to a great extent remedied by the kindly assistance given to the author by the foreign offices of the Russian coöperative organizations, especially the Moscow People's Bank, the Union of Siberian Creamery Associations, and the Siberian *Zakupsbyt*, an assistance which the author deems it his duty gratefully to acknowledge. Likewise, he would express his sincere appreciation for the very valuable aid extended to him by several prominent leaders of the Russian coöperative movement abroad, Messrs. Borodaevsky, Marakuev, Khramevich, Rodionov, and Yarkov, who helped in the preparation of this work both with documentary material and their practical experience. The author is further indebted to the International Institute of Agriculture, in Rome, which has generously placed at his disposal the valuable materials contained in its libraries.

Europe, is proof of their keen understanding of the position and requirements of Russian agriculture. At that time, however, neither the Government, nor the educated classes, nor the mass of the peasantry, were prepared to accept the principles of coöperation or to apply them in practice, and that is what accounts primarily for the extremely slow growth of coöperation in Russia in its initial period, as it explains also a number of organic defects in Russian coöperation of which it did not rid itself to our days.

The by-laws of the association founded by Lughinin were approved by the Government in October, 1865, and it began its operations in 1866. This first organization of coöperative credit in Russia, which functioned in the beginning under the direct guidance of its founder, proved very stable. Unlike the hundreds of associations founded later on, which did not survive the embryonic stage, it remained alive, functioning even in the darkest period of the Bolshevik Revolution.

In 1869 government approval was obtained for the by-laws of another loan and savings association, founded in the town of Fellin, in the Baltic province of Livonia. In the same year the first government act was issued granting official recognition to coöperative credit organizations and providing certain general rules for their administration. This was an ordinance of the Committee of Ministers, approved by the Emperor on March 21, and which empowered the Minister of Finance, in agreement with the Minister of the Interior, to grant authorizations for the founding of associations of the same type as the two societies then in existence and to approve their by-laws.

A historical survey of the growth of coöperative credit in Russia may be very conveniently divided into three periods. The first period, continuing about thirty years, constitutes a period of trial and error and hesitating experimentation. It is definitely separated from the second period by the enactment of the law of 1895 establishing a new type of organization, the "credit associations." The third period begins with the year 1908, the time of the meeting of the first All-Russian Coöperative Congress.

### *The First Period.*

The pioneer organization set up by the Lughinin brothers served as an example which soon inspired a considerable amount of activity in the way of promoting other credit coöperatives, chiefly under the

auspices of various zemstvo administrations.<sup>2</sup> The first zemstvo to enter this field was that of the district of Novgorod, which drafted, in 1870, model by-laws for loan associations and assigned the sum of 14,000 rubles for capital advances to such associations as might be organized. Eight loan and savings associations were founded in the province of Novgorod shortly afterward with the aid of the zemstvo. A number of other zemstvos (St. Petersburg, Tula, Ryazan, etc.) followed the lead and adopted the policy of encouragement and assistance to coöperative credit.

The zemstvos played the most important part in the promotion of coöperative credit associations in the succeeding decade. They displayed the most eager interest in this work in the period from 1872 to 1877, an interest that was one of the manifestations of the liberal and populist spirit of the time. The societies founded in that period numbered 921. However, the enthusiasm of the zemstvos, and of the liberal elements in general, was short-lived; it was succeeded by disappointment and indifference, and in some instances by an unfavorable or indeed a hostile attitude toward coöperation. This changed attitude is primarily accounted for by the poor results of the zemstvo activities in the field of coöperation, which were too often directed exclusively to the mere building up of organizations, with little attention paid to the strengthening of their internal structure. Consequently, a great many associations organized on paper never really opened for business, while others died prematurely. Up to 1877 the by-laws of 981 loan and savings associations had been approved by the Government; yet only 657 associations issued annual reports for 1877, which means that only that number continued in active operation in that year. In the entire thirty-year period (to 1895),

<sup>2</sup> Three books, published in 1869, marked the beginning of special literature on coöperation in Russia, which grew to a tremendous volume later on, and they exerted a considerable influence on the practical development of the movement by arousing the interest of a number of public men connected with the zemstvos and thus inducing the zemstvos to assist the building up of coöperative credit. These books were as follows: (1) A. V. Yakovlev, *Ocherki Narodnago Kredita v Zapadnoi Evrope i v Rossii* (*Essays on Popular Credit in Western Europe and in Russia*), Moscow, 1869; (2) N. P. Kolupanov, *Prakticheskoe Rukovodstvo dlya Ustroistva Narodnikh i Remeslennikh Bankov* (*Practical Manual for the Establishment of People's and Artisans' Banks*), Moscow, 1869; (3) V. F. Lughinin and A. V. Yakovlev, *Ssudnya Selskya Tovarishchestva* (*Rural Loan Associations*), Moscow, 1869.



1,586 associations had their by-laws approved; but of these only about 700, or 44.3 per cent, survived at the end of the period; of the remainder 657 associations, or 41.2 per cent, went out of existence, while 230 associations, or 14.5 per cent, never made a start. Disappointment was bound to follow. Another factor that affected the attitude of the zemstvos, and especially that of their hired personnel, was the propaganda directed against coöperation in general, and the Schulze-Delitzsch societies in particular, by the German Social-Democratic elements.

While the official zemstvo organizations were thus losing interest in the coöperative movement, it was kept alive by a few prominent public men, also closely connected with the zemstvos. Owing to the initiative of two distinguished men, Prince A. I. Vassilchikov and A. V. Yakovlev, the Agricultural Society of Moscow, an organization of old standing, became the central agency for the promotion of coöperative credit. A special section was organized under the name of Committee on Rural Loan and Savings and Trades Associations, whose by-laws were approved by the Government in November, 1871. It was the St. Petersburg branch of that committee, a purely non-governmental agency of very limited financial resources, which for nearly 35 years served as the only central organ for the promotion and guidance of coöperative credit organizations in Russia.

The first act of the committee was the drafting of model by-laws, of which seventeen editions were issued and distributed by the St. Petersburg branch, with such successive modifications and amendments as were dictated by practical experience. In addition, the St. Petersburg branch of the committee performed a great variety of functions. It took the initiative in the organization of new societies. It gave particular attention to the organization of accounting in the several societies on a rational basis, which was of very great importance under Russian conditions; the assistance of the committee in this respect was highly valued by the local associations, many of which submitted to it their annual reports for corrections and suggestions. Beginning with 1873 the committee published an annual report on the financial condition of all associations, as well as a general survey of their progress and activities, and in 1881 it began to issue a periodical journal of its own. It undertook also the publication of books and popular pamphlets on problems relating to coöperative credit, some of which gained a well-deserved popularity

and were distributed in many thousands of copies. The committee interceded in behalf of the associations with the local and central government authorities. In addition to securing the approval of by-laws of newly constituted associations, it succeeded in many instances in inducing the Government to grant them money subsidies and relief from taxation. It was due to its intercession that the State Bank was authorized in 1872 to open credits to loan and savings associations, and that other tax exemptions were granted them ten years later. In 1884 the committee succeeded in having a circular issued by the Minister of the Interior directing the local police authorities to collect for the associations, at their request, overdue loans by summary process. And when the associations had accumulated reserves and other unused funds, the committee undertook to invest them in their behalf in a safe manner. Finally, the committee assumed the function of auditing the accounts of the associations, as there were no local bodies that were competent to perform this task. The committee thus came in close contact with the largest number of existing associations, and the abundant material supplied by the latter, together with that obtained through a number of investigations initiated by the St. Petersburg branch, enabled it to become an agency thoroughly informed on the condition of coöperative credit and competent to act in its behalf. It was represented with great success and advantage at a number of national and international exhibitions, and it took an active part in all the conferences and congresses of the Russian coöperative movement.

A general view of the progress of loan and savings associations during this period may be obtained from the following table:

<i>Year</i>	<i>Number of associations</i>	<i>Member- ship</i>	<i>Operating funds (in thousands of rubles)</i>	<i>Loans</i>	<i>Ratio of owned capital to total operating funds</i>
1872	79	13,300	688	528	35
1877	657	134,700	8,168	6,898	47.9
1882	727	206,400	14,540	12,795	49.4
1887	719	202,700	17,544	15,315	45.6
1892	662	219,100	22,549	18,271	42.4
1897	619	222,200	23,708	19,994	43.7*

\* S. Borodaevsky, *Crédit populaire en Russie*, St. Petersburg, 1900, pp. 48-49.

This table permits one to draw certain definite conclusions. The first five years were a period of zealous promoting and they showed a

rapid numerical growth of associations. The rate of that growth greatly decreased in the succeeding five-year period, and after that the numbers began to fall off. In those associations, however, which survived, the membership slowly increased, except for a slight decline in the period 1882 to 1887. The total amount of operating funds likewise increased, and that of loans advanced correspondingly. It clearly appears from the table that members' loans were the fundamental operation of the associations, absorbing about 85 per cent of all working funds. The latter consisted, to the extent of over 40 per cent, and at times nearly 50 per cent, of the total capital owned by the associations. In the analogous Schulze-Delitzsch societies, in Germany, the owned capital did not exceed one-fourth of the operating funds. The exceedingly high ratio in the Russian associations was not to any extent due to the high price of shares, or to any particular advantages afforded by investment in the stock of the societies. On the contrary, this anomalous financial structure clearly indicates an insufficient development of deposits, or, in other words, a slackness of the operations of the societies in this early period of their existence.

Both the capital of the associations and their operating funds were increasing not only in absolute amounts, but relatively to the membership as well. At the beginning of the period under consideration the owned capital amounted on the average to 17 rubles per member; by the end of the period the average had increased to 45 rubles. The per capita amount of operating funds had increased during that period in about the same proportion, from 47 rubles to 109 rubles. When it is remembered that peasant economy in Russia was still at that time of a semi-natural order, and that money played but a small part in the peasant's budget, these figures will by no means appear negligible.

On the whole, it cannot be doubted that in the first period of thirty years the foundations of coöperative credit had been laid, and that actual though modest results had been achieved. It should not be forgotten that in Germany, too, the rural credit societies numbered less than 1,000, with a membership of 180,000, at the end of the first thirty-year period of their history.

### *The Second Period.*

The year 1895 marks an important stage in the development of coöperative credit, as the first general law on credit societies was pub-



lished in that year. Uniform legal provisions were substituted for the changeable administrative practices that had prevailed until that time. Furthermore, the new law conferred upon the coöperative societies the rights of corporate bodies and thus increased their independence and strengthened their credit. The law also called to life a new type of organization, the credit associations, which eventually grew in numbers and played a most important part in the history of coöperation in Russia.

The new law provided for three classes of organizations of small credit, two of which were of the coöperative type, namely, loan and savings associations and credit associations.<sup>3</sup> All these organizations were given the rights of corporate bodies and could be organized in accordance with model by-laws which were to be drafted by the Minister of Finance jointly with the Minister of Agriculture, or, in certain instances, with the Minister of the Interior and with the Minister of War (in the Cossack settlements). The essential difference between loan and savings associations and credit associations was that the former were required to have a capital stock subscribed by the members, while the latter were organized without share capital, obtaining their working funds chiefly through loans granted by the State Bank, the zemstvos, or private individuals, on the collective responsibility of the members. The loans were to be paid off in a number of annual instalments, not over twenty. The shares of the loan and savings associations could not exceed one hundred rubles.

The new feature introduced by the law of 1895 was the provision which authorized the associations to carry on "intermediary" or trading operations. These included joint purchase of articles required for the productive activities of the members and the joint marketing of their products. These operations could be effected either on special orders of individual members and for their own account, or they could be financed out of special funds constituted by the associations by deductions from profits, or by borrowing.

The administrative practice that had prevailed of collecting overdue loans by summary process without resort to the courts, was now given legal sanction.

One of the most important new provisions enacted by the law was

<sup>3</sup> The law further provided for the creation of rural banks and credit funds, which were non-coöperative institutions and were designed for the benefit of peasants exclusively.



that which established government supervision over all coöperative societies which received loans from the State Bank or from the Treasury for the constitution of their capital or of their special funds. That supervision was enforced through the agency of the inspectors of small credit attached to most of the branch offices of the State Bank. This widely extended organization of government surveillance was given a common center in the shape of the so-called Central Inspection of Small Credit, with a chief inspector at its head. Every newly organized association was required to have its by-laws approved by that central board upon a report of the local inspector; in addition, a report of the governor of the province was often asked for.

The credit associations established by the law of 1895 proved a very convenient form of rural organization. Their growth was rapid, and their number soon exceeded that of loan and savings associations, for reasons not difficult to perceive. In the first place, the members of a credit association were not required to buy any shares, and it was thus open to every peasant irrespective of his economic condition. Furthermore, the initial working capital could be easily obtained from the State Bank on very favorable terms. Besides, the local inspectors of small credit were carrying on an active propaganda in favor of this particular form of association, helping in the work of their organization and in the conduct of their business affairs.

In 1904 a second law on coöperative credit organizations was enacted. An important new provision was that which recognized in principle the right of credit coöperatives to federate into unions. The need of coöperative federations was more keenly felt as the local societies were increasing in numbers and expanding their operations. The tendency toward combination, however, was for a long time opposed by the Government for political reasons. The law of 1904, while granting in principle the right to form unions, surrounded the actual use of this right with endless difficulties, with the result that less than ten unions existed in 1914.

Under the law of 1895 the zemstvos had been given considerable facilities to assume the initiative in the organization of coöperative credit societies and to supervise their activities. In 1904, with a view to giving further satisfaction to an aroused public opinion, the Government allowed the zemstvos a still larger share in the promotion of coöperative credit. The new law extended and defined more clearly

the powers of the zemstvos, in particular permitting them to found new societies without government authorization, provided they supplied such societies with their initial capital and with operating funds; they were also given the power to audit the societies established in this manner through the medium of their own inspector, without interference. The zemstvos were granted regular representation in all local administrative bodies dealing with matters of coöperative credit, and were afforded credit facilities by the Government and by the State Bank for the financing of their activities in this field. In the end only a few isolated zemstvos, located mostly in South Russia, availed themselves of the opportunities granted under the new law.<sup>4</sup>

The law of 1904 also defined with greater precision the organization and purposes of credit coöperatives of all types, and it confirmed and further extended their fiscal privileges and immunities. Debts to coöperatives were made a first lien on the property of the debtor, receiving priority over all other obligations, including State taxes. The system of government supervision was extended and strengthened. The Inspection of Small Credit was changed into a special government department under the name of Board of Small Credit, in which were concentrated all functions such as the approval of by-laws, the allotment of government credits, and legislative initiative on matters pertaining to coöperative credit. The Board was required to publish annual reports on the condition of all institutions of small credit, and these reports are still the most valuable source of information on the subject.

The following table shows the growth of coöperative credit societies of the two types from the time of the law of 1895 to the middle of 1908:

<sup>4</sup> Particular mention should be made of the work of the zemstvo of Bessarabia, which succeeded in organizing in a satisfactory manner the auditing of credit associations, an exceedingly hard task. However, as societies created by zemstvos were subject to government control, in addition to that of the zemstvos, to the extent that they borrowed funds from the Treasury or from the State Bank, it proved impossible even here to avoid a duplication of the auditing activities, which resulted in friction and conflicts.

Years	Number of new organizations*	
	Credit associations	Loan and savings associations
1897-1901	121	242
1902	109	83
1903	151	68
1904	267	40
1905	317	11
1906	532	80
1907	817	17
1908 (first half)	353	149

\* Figures given in *Otcheti Upravleniya po Delam Melkago Kredita* (Reports of the Board of Small Credit), St. Petersburg, 1906-1917.

It is thus seen that by the end of the period under consideration the majority of societies in operation were of the type of credit association. The largest increase occurred in the two years that followed the revolutionary upheaval of 1905. The general situation with regard to numbers and membership on January 1, 1908, may be seen from the following table:<sup>5</sup>

	Loan and savings associations	Credit associations	Total
Number of societies in operation	1,225	1,920	3,145
Number of reporting societies	1,154	1,913	3,067
Membership	545,000	839,000	1,384,000
Average membership of a society	472	439	
Ratio of membership to number of households in area covered by the organizations	30	29	

In the course of eleven years the number of households affiliated with coöperative credit societies had thus increased six and one-half times, and had attained the imposing figure of nearly 1,400,000. It is interesting to note that the average ratio of membership to the total number of peasant holdings in the areas covered by the activities of the societies was about the same for the organizations of both types, approximately one-third. If the total number of small peasant holdings in the whole territory of Russia is considered, those affiliated with the coöperative credit societies formed about nine per cent.

<sup>5</sup> Figures given in *Otcheti Upravleniya po Delam Melkago Kredita* (Reports of the Board of Small Credit), St. Petersburg, 1906-1917.

The average membership of the constituted associations was very large, in comparison with the German societies. In most instances, the area of activity of a credit society in Russia was not that of a parish as in Germany, but that of a *volost*<sup>6</sup> (canton). While this was not without certain advantages under rural conditions in Russia, it also led to some harmful consequences, as we shall see.

The following table presents the principal items of the consolidated balance sheets of the loan and savings associations, as of January 1, 1905, and January 1, 1908, which will give an idea of the relative importance and trends of their various operations:

*The Consolidated Balance Sheet of the Loan and Savings Associations.*

	January 1, 1905		January 1, 1908	
	Amount in thou- sands of rubles	Per- centage	Amount in thou- sands of rubles	Per- centage
<b>Liabilities:</b>				
Capital	13,612	24.4	18,460	22.7
Reserve	3,208	5.5	3,219	3.9
Special funds	—	—	781	0.9
Deposits	29,915	54.7	49,558	60.8
Borrowed funds	5,113	9.1	5,705	6.9
Trading operations	—	—	48	0
Sums in transit	2,249	4	2,094	2.5
Interest and profits	1,314	2.3	1,892	2.3
	<hr/> 55,411	<hr/> 100	<hr/> 81,757	<hr/> 100
<b>Assets:</b>				
Amounts in banks	—	—	5,457	6.7
Securities	3,851	7	4,635	5.6
Loans	47,294	85.5	67,743	83
Merchandise on hand	—	—	148	0.1
Plant and equipment	1,092	1.9	1,827	2.3
Expenses and losses	36	—	136	0.1
Cash on hand	3,138	5.6	1,811	2.2
	<hr/> 55,411*	<hr/> 100	<hr/> 81,757†	<hr/> 100

\* Cf. *Russki Kalendar na 1908 god* (Russian Yearbook for 1908), published by Suvorin, St. Petersburg, p. 219.

† Cf. *Statisticheskii Ezhegodnik na 1912 god* (Statistical Yearbook for 1912), published by the Permanent Council of Representatives of Industry and Commerce, St. Petersburg, 1912, part II, p. 107.

<sup>6</sup> Rural administrative unit comprising several village communities.



If these figures are compared with those given above (page 239) for the year 1897, it will be found that the aggregate operating funds of the loan and savings associations increased almost fourfold. The ratio of the capital owned by the associations to their total operating funds had materially changed, showing a decrease from 40 per cent to 26.8 per cent. In other words, the business and the deposit operations of the associations had undergone a remarkable expansion. Loans still remained the principal item of the assets, although their relative position had remained substantially the same,—about 85 per cent.

The consolidated balance sheet of the credit associations shows a picture that is somewhat different:

*The Consolidated Balance Sheet of the Credit Associations.*

	January 1, 1905		January 1, 1908	
	<i>Amount in thou- sands of rubles</i>	<i>Per- centage</i>	<i>Amount in thou- sands of rubles</i>	<i>Per- centage</i>
<b>Liabilities:</b>				
Capital	1,006	18.2	3,948	16
Reserve	129	2.2	568	2.3
Special funds	59	1.0	245	1
Deposits	3,205	58.2	13,330	54
Borrowed funds	859	15.5	5,342	21.8
Trading operations	5	0.1	21	0.1
Sums in transit	45	0.8	188	0.8
Interest and profits	223	4	962	4
	<hr/> 5,531	<hr/> 100	<hr/> 24,604	<hr/> 100
<b>Assets:</b>				
Amounts in banks	229	4	1,206	4.9
Securities	66	1.2	229	0.9
Loans	4,786	86.9	21,486	87.4
Merchandise on hand	27	0.5	244	0.9
Plant and equipment	59	1	350	1.4
Expenses and losses	8	0.1	98	0.4
Cash on hand	356	6.3	991	4.1
	<hr/> 5,531*	<hr/> 100	<hr/> 24,604†	<hr/> 100

\* *Vestnik Finansov, Promishlennosti i Torgovli*, St. Petersburg, 1905, I-III, p. 134; *Russki Kalendar na 1907 god* (*Russian Yearbook for 1907*) published by Suvorin, pp. 210 sqq.

† *Statisticheski Ezhegodnik na 1912 god*, part II, p. 104.

It will be noticed that the totals of the consolidated balance sheet of the credit associations were growing much faster than those of the loan and savings associations, in resources and operations. In the short space of three years, their capital increased fourfold, and their deposits in the same proportion; borrowed funds increased six times, and the total amount of operating funds almost five times. On the asset side, the operations have expanded on the same scale, or rather the principal operation, that of loans, which was of a somewhat greater relative importance in these societies than in the loan and savings associations.

It is interesting to note that the accounts of "intermediary" or trading operations and "merchandise on hand" were holding an altogether negligible place in the societies of either type. The trading operations, that is, coöperative purchase and marketing authorized by the law of 1895 had not developed at all in practice. The conditions of the Russian village and of the domestic market generally prevented the coöperative credit organizations from assuming such additional functions as were performed with some degree of success by the Raiffeisen societies in Germany, and from gradually developing into coöperatives of a universal type. The Russian peasant preferred to borrow money and to purchase the goods which he required freely in the open market, having no great confidence in the ability of the societies to carry on trading operations, which is so much more complex than the primary functions of receiving and lending money. It was only later, under conditions entirely changed by the War, that coöperative purchase and marketing had its development in Russia.

Another fact that deserves notice is the appearance of free funds, which figure in the financial statements in the shape of amounts deposited with banks and invested in interest-bearing securities. In the older loan and savings associations, the free funds were already an important item, having reached as high as 12 per cent of the total assets; in the credit associations, too, they made their appearance as soon as their operations developed to any extent.

### *The Third Period.*

The calling of a coöperative convention was a far more difficult affair in Russia than in the countries of western Europe, owing to the tremendous distances, the inadequate transportation facilities,

and the mistrustful attitude of the central authorities to representative gatherings of the people. A special coöperative section was organized by the Moscow Committee on Rural Associations in 1896, at the time of the All-Russian Congress of Trade and Industry which met at Nizhni-Novgorod. It was not until the spring of 1908 that the leaders of the movement were successful in securing the government's authorization to call the first All-Russian Coöperative Congress. The congress met at Moscow in April, attended by 700 delegates, representing all forms of the coöperative movement and all regions of Russia. It transacted its business with exceptional eagerness and enthusiasm, and although some differences on matters of general policy were already in evidence, it nevertheless demonstrated the unity of the coöperative movement as a whole. One of the delegates, an acute observer of public life in Russia, referred to the congress as "a review of coöperative forces." Unfortunately, it was cut short by the authorities before it had completed its work; yet in spite of the action of the autocracy, the coöperative leaders had here the first opportunity of getting together for personal contact and the coördination of their plans. It made available for general discussion a considerable amount of concrete information on the conditions of coöperative work in the various localities. Above all, it developed a spirit of keen hopefulness about the future of the coöperative movement in Russia. Finally, the congress undoubtedly had also the effect of forcing the Government, and the Board of Small Credit in particular, to heed the opinions of local coöperators.

The growth of credit coöperatives, especially that of credit associations, after the Moscow Congress, proceeded at a remarkably rapid pace, as shown in the following table:<sup>7</sup>

Year	Number of organizations		Aggregate membership	
	Loan and savings associations	Credit associations	Loan and savings associations	Credit associations
1908	1,225	1,920	544,900	838,700
1910	1,786	3,610	822,300	1,767,700
1912	2,593	5,940	1,394,400	3,353,100
1914	3,479	9,536	2,044,700	6,209,900

Thus in the course of six years the number of loan and savings associations increased almost threefold, and that of credit associa-

<sup>7</sup> See *Explanatory Memorandum (Zapiska) of the Minister of Finance to the Budget Bill for the Year 1915*, Petrograd, part II, p. 36.



tions, five times; the membership of the former had increased 3.5 times, and that of the latter 7.4 times.

On January 1, 1914, the financial statements of all associations showed a total of 614,000,000 gold rubles, and yet their administrative expenses were moderate. Thus, the statement of January 1, 1913, shows for all credit associations an aggregate annual expense of 5,889,000 rubles, or an average of 739 rubles per association.<sup>8</sup>

As the system of associations was spreading, the area covered by the activities of separate associations naturally decreased; the average for loan and savings associations decreased 1.7 times between 1908 and 1914, and the average for the credit associations by 1.2 times. At the same time the work of the associations was growing more intensive in character, embracing an ever increasing proportion of the population. This was particularly the case with the credit associations. In 1906 their membership included, on the average, only one-fourth of the peasant households in the areas covered by them, but by 1914 it doubled in extent. The coöperative associations had thus become an essential element of the economic system. It is obvious that such a rapid growth in membership could not have been the result of the work of the government's inspectors, but rather the natural outgrowth of the changing position and requirements of Russian agriculture.

We have indicated above that in the early decades of coöperative credit in Russia many associations proved precarious and went out of existence shortly after their foundation. A gradual improvement in this respect became noticeable in the period immediately preceding the War. However, in the nine years from January 1, 1905, to January 1, 1914, there still were 224 duly authorized loan and savings associations which never opened for business or were liquidated or reorganized. The credit associations proved more stable, as only 79 organizations of that class had not survived in the same period, a negligible death-rate indeed.

On the other hand, the situation was much less favorable with regard to organizations of the "second grade," unions of coöperatives, of which there were less than ten in existence in 1914. It was only during the War that the Government gave up its policy of opposition to the combination of local associations into unions. The activi-

<sup>8</sup> *Report (Otchet) of the Board of Small Credit on the Condition of Credit Associations As of January 1, 1913*, Petrograd, 1916.



ties of the Moscow People's Bank, which became the central bank of the Russian coöperative movement, likewise belong for the greater part to the war period, as the Bank was established almost on the eve of the War, in 1912.

*The Structure of Credit Organizations.*

When the structure of the Russian credit coöperatives is under discussion, it is imperative to distinguish between the formal framework and the actual material developments. The first is readily discovered in the by-laws of the associations and in the legislative provisions governing them. The second phase presents considerable difficulties, as the inspectors of small credit were never in practice assigned to the special task of investigating this aspect of the problem. In Russia, as in other European countries, the constitutions of the credit coöperatives followed the two classical models of the Schulze-Delitzsch and the Raiffeisen societies; and as in other countries, there was no blind imitation, but rather an adaptation to local requirements and conditions. This tendency appeared even in the by-laws of the first loan and savings association founded in 1865. While the general principles were borrowed from the Schulze-Delitzsch societies, with provisions of open membership, share capital subscribed by members, and the dual function of loans and savings,—there were many differences in matters of detail.

In the first Russian loan and savings association, the capital was derived from two sources. Each member was first required to purchase a share amounting to 50 rubles, payable in small monthly instalments of 15 copecks; in other words, the payments were extended over a period of 28 years. The second source of capital represented an advance of 1,000 rubles without interest from the founder, Lughinin, for a term of 10 years, and as long as this loan was not repaid, no other loans could be contracted by the association without the founder's consent. To secure additional operating funds, the association was authorized to accept deposits, which could not exceed the sum of 50 rubles from any one individual. The aggregate sum of deposits and borrowed funds could not at any time be more than double the combined share capital and reserve. It was made mandatory upon the association to constitute a reserve fund by an annual deduction from the profits. The credit of the association was secured by the collective liability of the membership, which was to be enforced

whenever losses developed, and after the profits, the reserve, the share capital, and the funds advanced by the founder had been successively applied to cover them. As in the German model, the liability was nominally unlimited. Loans could be granted to members only, and the maximum amount of a loan to any one person was fixed at 80 rubles, for a term running up to six months. No security was required<sup>9</sup> when the amount of the loan was not more than 50 per cent above that of the paid-in share of the borrower; whenever the loan exceeded that amount, endorsement by a third party was required. The interest rate on loans was arranged to be at least two points above the rate which the association itself had to pay on deposits and borrowed funds. The form of organization was at first simple in outline, the management being entrusted to the general meeting of members and the manager elected by it; an assistant manager and a book-keeper-treasurer were also engaged, in addition to the elected manager. (This form of administration was later replaced by the usual form of management by a board.) The membership of the association, although theoretically open to all, was in practice exclusively peasant.

Shortly afterward the Committee on Rural Associations of the Moscow Agricultural Society drafted its standard by-laws of credit coöperatives, which eventually served as a model for hundreds of associations. Under the new model a loan and savings association was declared to be an organization open to persons of all estates, unlike the then existing auxiliary funds established to aid peasants formerly attached to the crown lands. Every agriculturist of an honorable character was eligible to membership; every member was required to be a shareholder, the shares payable in small instalments. The association was authorized to accept deposits and to contract loans. And in order to strengthen the credit of the association, the by-laws provided for unlimited liability of the members for all its obligations; at the same time the amount of obligations which an association was allowed to incur was to be limited to a certain maximum, five to ten times the amount of the capital owned by the association. Loans could be granted to members only, either with the endorsement of a third party, or on personal knowledge without any security. Every member was required to take an active part in the

<sup>9</sup> This is the same form of loan known in the Italian practice of coöperative credit as "loan on honesty" (*Prestito sull' onore*).

management. The managing bodies were the general meeting of shareholders, the board of directors, and the council. The by-laws made mandatory a deduction from the net profits for a reserve fund designed to meet possible losses. But not all associations followed the model form to the letter; there were many variations in detail, and no less than fifty-nine varieties were known to exist in the first thirty years, according to the Committee on Rural Associations of the Moscow Agricultural Society.<sup>10</sup>

In view of this structural diversity, the Minister of Finance maintained that the law of 1895 should prescribe the general principles of organization only. But as finally enacted, the law contained two standard by-laws, one for loan and savings associations, and the other for credit associations, to be strictly adhered to irrespective of local differences. As a matter of fact, it was only one model, the only difference between the two types being that no members' shares were required in the credit associations. The enactment of these rigid standards affected adversely the work of the credit coöperatives. There were frequent violations of the formal requirements of the by-laws, which led to discontent, opposition, and conflicts between the societies and the government inspectors.

In the organization of a loan and savings association each member was required to buy one share, the fixed value of which might vary from 5 to 100 rubles, and no member was allowed to hold more than one share. The shares were not transferable, nor could they be deposited as collateral for loans. The members had the option of paying for their shares in instalments, on such terms and in such amounts as might be determined by the general meeting of the members. As long as a share was not fully paid in, the dividends accruing on it were not paid to the holder but were instead credited to his account. The amount of the share capital could be increased under certain conditions by a resolution of the general meeting, but it could not be decreased otherwise than with the consent of the creditors of the society holding at least one-half of its obligations. The special function of the share capital was to serve as a guaranty for the obligations of the society, each member being liable in proportion to the paid-in amount of his share. This liability, however, was to be en-

<sup>10</sup> *Uchrezhdeniya melkago kredita (Institutions of Small Credit)*, published by the St. Petersburg branch of the Committee on Rural Associations, second edition, St. Petersburg, 1899, p. 167.



forced only to the extent that any portion of the obligations remained unpaid after the annual profits, the reserve, and all other property owned by the society had been successively applied to meet them. If the share capital too proved insufficient, the members were to be held liable with their own property.

The share capital was thus assigned the function of a second or special reserve, analogous to the *Betriebsrücklage* of the German societies. There were no definite provisions regarding its use in normal times, where there were no losses to be covered. In practice, therefore, if the share capital was actually collected, it was generally used simply as a part of the operating funds. But it very often happened that it was not collected at all, and was only formally entered to the account of the members, a corresponding amount being deducted from the loans granted them. The maximum amount of dividends to be paid on the shares was not prescribed in the model by-laws, but was to be fixed by the by-laws of each separate society.

The associations of the second type, known as credit associations, issued no shares, and their initial capital stock was to be derived from gifts or loans obtained from private persons, zemstvos, the Government, or the State Bank. The donor or lender was given the rights of "Curator" and was entitled to receive from the credit association periodical reports on the progress of its operations, to audit its transactions and accounts, and to inspect it jointly with the governmental supervisory agencies. In practice, however, their initial capital was derived from the State Bank, all other sources having proved of very secondary importance. It had indeed been the definite object of the law of 1895 to further the development of small credit with the aid of government funds. The memorandum of the Minister of Finance which accompanied the draft of the law emphasized the predominance of small-scale production and enterprise in Russia, whether in agriculture, trade, or industry, and the national importance of providing credit facilities for their support through the promotion of credit associations. The memorandum further pointed out that the credit funds could often not be supplied by the population generally without considerable delay and heavy sacrifices, or without resorting to borrowing on oppressive terms, and that government aid should, therefore, be extended by loaning State Bank funds in form of initial advances to the capital of the associations. Finally, as a logical accompaniment to government aid, the Minister



of Finance advocated government supervision of the associations, with a view both to preventing the funds thus advanced from being squandered and to securing their proper utilization.

The Minister of Finance was, of course, unduly optimistic, as experience soon proved, when he assumed that a State Bank loan of 2,000 rubles, which was the usual initial amount advanced, would be sufficient to provide a new organization with the funds it required. At all events, the provisions of the law of 1895 relating to credit associations marked the inauguration of a definite policy of subventions and surveillance, which was consistently enforced in practice and left a distinct impression on the development of coöperative credit in Russia.

If we disregard donations, which were exceptional, it will be seen that the capital of credit associations practically represented borrowed funds, secured for long terms and usually on favorable conditions. As there were no shares, and no dividends to be distributed, except for a certain bonus that could be granted the members of the board and the personnel by a special resolution of the general meeting, the net profits served solely to strengthen the reserve capital. Losses incurred by a credit association were to be covered, in the first instance, out of the annual profits and the reserve, and then, if these sources proved insufficient, out of all other forms of property owned by the association. The primary function of the capital including the reserve was to serve as a means to determine the limit of obligations to be incurred, that limit being set at ten times their combined amount. Otherwise, the capital was merely a part of the operating funds of the association.

The principal operations which all credit coöperatives were authorized to carry on were, among the liabilities, deposits and borrowings, and, on the side of the assets, loans. The latter could be granted exclusively to members, either for short terms running up to twelve months, or for terms up to five years, repayable in instalments. As regards security the law provided for three forms of loans: non-secured loans, loans with endorsement by a third party, or loans on deposit or mortgage of movable property. In addition, it was provided that the by-laws of individual societies might contain provisions authorizing so-called "intermediary" or trading operations, which included the purchase of articles required by the members and the marketing of their products.

The acceptance of members' deposits was made mandatory, while current account operations were prohibited. Considerable latitude was left the founders and the general meeting of an association with regard to determining the maximum amount and the terms of deposits, the rate of interest on them, etc. Similarly, the amounts and terms of borrowed funds were to be determined by the general meeting, unless it delegated this matter to the council.

In Russia, as elsewhere, the credit of the coöperatives was not based so much on their capital, in all instances insufficient for the purpose, as on the supplementary liability of the members for the obligations incurred by the association. The provisions regarding this form of liability were of decisive importance in their ultimate effects upon the work of the associations. This fundamental problem has been met variously in different countries and organizations. The Raiffeisen system, in its pure form, provides for unlimited liability, which is made an absolute condition of admission to membership in the system. But Russia has adopted a less dogmatic and much more liberal interpretation of the principle. In Russia the membership of these societies was composed mostly of peasants, and a certain minimum of the peasant's movable property had been exempted by law from forced sales, even for the collection of arrears of state taxes, while his land could not be alienated at all wherever the system of communal ownership prevailed. The unlimited liability provided in the earlier model by-laws of credit coöperatives was, therefore, purely nominal, and could not be enforced. Under the law of 1895, the by-laws of each association were supposed to state whether the members' liability be limited or unlimited, with the result that a great variety of forms of liability was evolved in practice. The method most widely used was one under which the liability of each member was fixed at a certain multiple of the amount of credit opened to him, usually at double that amount. As a large number of members did not take any advantage of the credit facilities afforded by the associations, the model by-laws provided that credits should be opened to all members without exception and should be revised at least once a year. Fictitious credits were thus opened to a number of members, which only served as a standard to determine the extent of their liabilities in the event of such losses as might have to be assessed on the membership. This form of liability was peculiar to Russia, and not found in the

practice of any other country, and it is chiefly on that account that an original Russian type of credit coöperatives may be spoken of.

Another peculiar feature of the Russian organizations was their dependence upon a system of government credits granted on favorable terms and their liability to government supervision. To the extent that this supervision was designed to assure a regular and lawful conduct of the operations, it was the inevitable consequence of credit aid from government sources. But there grew up at the same time a system of petty administrative interference and of restrictions against the independence and the initiative of these organizations, which was dictated chiefly by political motives, namely, the fear of a possible spread of radicalism in the steadily growing coöperative membership. The motives behind this restrictive policy became particularly obvious when the need of unions of coöperatives had grown urgent, and when the Board of Small Credit was literally flooded with petitions requesting the approval of unions, while no action was being taken on such petitions for years.

The system of administrative tutelage, which remained in force until the Revolution of 1917, consisted first of all of the requirement of a special authorization for the founding of each new association, and of the right reserved by the authorities to enact mandatory model by-laws and to issue instructions for the practical enforcement of the law and of the by-laws. The Board of Small Credit, with the committee and the body of auditors attached to it, was the central supervisory agency, while the direct supervision on the spot was in charge of special inspectors attached to the branch offices of the State Bank. The inspectors were given very extensive powers, namely: (1) to investigate the associations at any time; (2) to see that they comply with the provisions of the law and their by-laws; (3) to call, at their own initiative, general meetings of the associations; and (4) to suspend the elected officers of an association wherever abuses were discovered. The government inspectors were also required to prepare systematic reports on the condition of the credit coöperatives in their respective districts, to promote the formation of new associations, and to give assistance in the organization of sound accounting and reporting. The reports of the inspectors were edited and published by the Board of Small Credit, and they formed the principal source of information on coöperative credit in Russia, and one of excep-



tional value on account of the completeness of the data and the thorough treatment of the subject.

All credit associations, without exception, were subject to this surveillance. As, in addition, many loan and savings associations were also receiving government loans, and furthermore, as the Minister of Finance was charged by the law with the general supervision of all organizations of small credit, the system of surveillance practically extended to the entire field of coöperative credit, with but few exceptions. This system of meticulous regulation and tutelage, benevolent though it might be, was undoubtedly harmful in many respects, and it called forth strong opposition on the part of local coöperators as well as of the liberal elements in general and of the zemstvos in particular. The results of this governmental policy were thus the opposite of what was intended, as it only served to further the spirit of discontent. Many of the government inspectors were sincerely devoted to the movement and performed their tasks with sympathy and competence. But its rapid growth inevitably meant the enlistment of men little prepared for coöperative work, who disapproved of official tutelage, regarding the credit associations as an external agency, as a government bank established to distribute government subsidies. This attitude was a cause of internal weakness and a breeder of practical difficulties which were hard to overcome.

In point of administrative organization the Russian societies did not materially differ from the forms adopted in other countries. The general meeting was the supreme administrative body, the council was the agency of supervision, to which special functions could be delegated by the general meeting, while the board of directors transacted directly all the business affairs of the association. As many associations had a very large membership, it was often necessary to substitute a meeting of delegates for the general meeting, and the by-laws usually authorized this substitution. The creation of an auditing committee was optional with the general meeting.

Such were the external aspects of the associations. As to the concrete conditions that developed within these forms, they have not been sufficiently studied. We have pointed out some of them in the case of administrative tutelage. One peculiar feature of the Russian organizations was the large area covered by individual associations and their large membership. Whereas the small associations in western Europe embraced the territory of a parish, that is, one or two little



villages, the area of a Russian credit coöperative coincided, as a rule, with the territory of a *volost* or canton. Even in the central regions of European Russia this often covered an area of over 300 square kilometers, and the area was considerably larger in the eastern provinces, while in the North and in Siberia it was measured in thousands of kilometers.

There was a similar difference with regard to the size of the membership. While the average membership of a society of the Raiffeisen type in western Europe did not, as a rule, exceed 90 to 100 persons, the average for Russia as a whole, prior to the War, was 565. The membership of the largest associations was much above this average. Thus, according to the reports of the Board of Small Credit, the membership in 1911 exceeded 1,000 in 11 per cent of the credit associations and in 12 per cent of the loan and savings associations; 66 credit associations had over 2,000 members each, and in a few instances the number attained four, five, or even seven thousand. The reviewer of the International Institute of Agriculture regards these facts as characteristic of the transitional period through which coöperative credit in Russia was then passing, and he maintains that "they should not be regarded, as is often done, as peculiar features of coöperation in Russia."<sup>11</sup> However, even assuming that this view is correct, it should not be forgotten that the "transitional" period with its peculiar characteristics should have continued in Russia a few score years, under perfectly normal conditions, inasmuch as not less than 200,000 associations would have been required if the density of, say, the German system was to be attained. But in a more general way, that peculiarity can hardly be regarded as of a transitional nature, for a small association constructed in accordance with the Raiffeisen principle of limited local jurisdiction would not have been in a position, except in rare instances, to secure a sufficiently trained personnel, or sufficient operating funds in the shape of deposits, or to cover its administrative expenses. The Russian standards, arrived at empirically, corresponded more or less with the social and economic conditions of the country.

The results, however, were not always favorable. With large areas, there naturally developed a difference between the center, that is, the immediate vicinity of the seat of the society, and the distant periph-

<sup>11</sup> *Bulletin mensuel des Institutions économiques et sociales*, Rome, 1916, No. 7.

ery, in regard to the availability and the utilization of credit facilities. The further removed the individual member households were from the center, the smaller was the membership in proportion to the total population, the weaker was each member's connection with the association, and lower the average amount of the loan. Beyond a certain zone, varying with the several regions of the country, the possibility of taking advantage of coöperative credit was growing more problematical. Coöperative practice endeavored of course to correct this defect by gradually narrowing the areas of activity of the several associations, but the process was of necessity slow in a country of vast distances. The remoteness of the member households located in the periphery from the seat of the association and their scattered character were bound to give rise to serious difficulties that interfered with the regular and systematic organization of credit. The board of a society was in no position to have an intimate knowledge of the economic situation of those households. Yet it is this knowledge that forms the basis of a satisfactory functioning of coöperative credit in rural surroundings. The result was a cautious attitude of the boards with reference to granting loans to such households, which was expressed mostly in a very elementary form, namely, in a tendency to refuse the loan or to reduce its amount so far as possible. On the other hand, the boards had little opportunity to see that the loans granted by it were utilized in accordance with the object for which they were advanced. The substitution of the meeting of delegates for the general meeting, which was inevitable when the membership was very large, eliminated almost four-fifths of the members from active participation, thus further weakening the bonds of organization and contributing to the view of the association as an external agency, a bank distributing government funds. And since government funds were being distributed, it was natural to demand that they be distributed fairly, and if one got less than the other, there was an outcry against discrimination and favoritism. The interest in the "bank" thus grew weaker, and the discontent with it and with those in charge of the "safe" grew stronger.

It would, however, be erroneous to assume that the bulk of the membership remained an amorphous mass, to no extent affected or inspired by the idea of coöperation. The coöperative movement in Russia found an exceptionally favorable ground in the popular traditions of mutual aid, which were centuries old. What harmed its

development was the simple "natural" economy of peasant life, as a result of which the more complex principles of coöperation could not be at once assimilated by the bulk of the membership. In spite of this, coöperation was highly valued in the Russian village, and was the object of a genuine enthusiasm.

*The Character of the Membership.*

The membership of credit coöperatives in Russia aggregated 8,200,000 on January 1, 1914.<sup>12</sup> By January 1, 1917, it had further increased to 9,800,000, not including organizations located in the evacuated territories of Poland and of the Baltic provinces.<sup>13</sup> According to conservative estimates, the households affiliated with coöperative credit organizations represented on the latter date a total population considerably over sixty millions of whom over fifty millions were covered by credit associations. With a few exceptions, that mass was of a homogeneous rural character. Its bulk was formed by the peasant element. Even in the absence of direct observations this could be inferred from the fact that the membership of the coöperatives formed about one-half of the total number of agricultural holdings, and might therefore be expected to present a fair sample of the social character of the latter. Direct observations confirm the fact that the non-peasant elements were entirely submerged, their proportion ranging from 1½ to 5½ per cent of the membership in the several societies.

The peasant mass itself, it is true, consists of various economic elements, and it would be very interesting to ascertain to what extent the economic structure of the households grouped around the coöperative organizations reflected the general structure of the peasant mass as a whole, or to what extent it was different. It would perhaps be even more interesting to inquire into the dynamic aspects of the problem and to ascertain the trend of the evolution of such households as had already become intimately connected with the coöperative organization. There are unfortunately no statistical data on which a sufficiently full and precise answer to these questions might

<sup>12</sup> *Ministerstvo Finansov, 1904-1913* (Ministry of Finance, 1904-1913), published officially, St. Petersburg, 1914, p. 50.

<sup>13</sup> *Russki Kalendar na 1917 god* (Russian Yearbook for 1917), published by Suvorin, Petrograd, pp. 156-157, quoting official data of the Board of Small Credit.



be based. Shortly before the Revolution of 1917 the Board of Small Credit started an extensive and interesting investigation of the co-operative organizations. But the data obtained have either been left in a crude form and have not been subjected to systematic treatment or, for the greater part, have not been published. Their ultimate fate is unknown. The only basis for a discussion of the economic characteristics of the households connected with the coöperative organizations is thus afforded by materials that are incomplete, fragmentary, and superficial. We shall confine ourselves to quoting a few authorities who have attempted to throw some light on the problem.

From observations which covered 1,289 associations and 229,000 individual agricultural holdings affiliated with them, the Board of Small Credit concluded that small holdings and those of an intermediary size predominated in the membership of coöperative organizations.

I. M. Podolsky, one of the most competent government inspectors of small credit, describes the membership of associations as follows: "Small credit is that portion of national credit which serves primarily the requirements of small labor-farm units." A small "labor" holding is defined by the author as one "in which the owner combines the functions of entrepreneur, manager, and laborer, and in which the necessary labor is supplied by the members of the owner's household."<sup>14</sup>

Professor Tugan-Baranovsky, the noted Russian economist, states that

our peasant coöperation is free of the influence of the landed gentry. [Yet he finds it much more difficult to answer the question as to] what are precisely the elements of the peasantry that form the membership of credit societies. . . . There are no general data for Russia as a whole with reference to this question, and we have to depend upon data referring to a few individual regions. The annual report of the Board of Small Credit for 1904 contains some information with regard to the number of horses owned by the peasant population in those provinces in which a census of horses was taken in that year for military purposes. For three provinces (Kharkov, Taurida, and Ekaterinoslav) it is thus

<sup>14</sup> I. M. Podolsky, *Voprosi melkago selskokhozyastvennago kredita v svyazi s organizatsionnimi voprosami trudovogo khozyastva* (Problems of Small Agricultural Credit in Their Bearing on the Problems of Small Scale Farming), in *Vestnik Melkago Kredita*, 1915, no. 1.



possible to compare the distribution of the peasant population as a whole and that of the members of credit associations with regard to the number of horses owned. The results of this comparison have been tabulated by S. N. Prokopovich as follows:

<i>Groups</i>	<i>Percentage in each group</i>	
	<i>Member of credit associations</i>	<i>Total peasant population</i>
Owning no horses	12.2	32.8
Owning one horse	8.8	8.2
Owning two horses	48.6	34
Owning three or four horses	19.7	15.4
Owning five or more horses	10.7	9.6
	<hr/> 100	<hr/> 100

It will be easily seen that the poorest peasant groups, those owning no horses, are rather feebly represented in the membership of the credit associations. On the contrary, the two-horse group is represented more strongly than in the peasant population as a whole. The group of well-to-do peasants, with three horses or more, is also of greater relative importance than in the rest of the population, although the difference is not as considerable as in the case of the two-horse group. That would seem to indicate that the membership of the credit associations is recruited chiefly from the intermediary peasant groups, the laboring peasants who are engaged in farming for their own account and are above the rural proletariat.

But "horse-owning" is a very insufficient criterion of the economic status of the several peasant groups. A detailed analysis of the economic condition of the members of credit coöperatives as compared with the rest of the peasant population was given by M. Krassilnikov, who used the data of the census of the credit associations which was conducted in the province of Ufa in 1911 by the zemstvo of that province. That analysis showed the following. In the first place, it appeared that the peasants affiliated with coöperative societies have considerably larger families than the rest of the peasants, which indicates that the economic position of the membership of coöperatives is stronger. The economic status of a peasant household is best shown by the acreage it has under cultivation. In this respect that Ufa investigation showed the following:

<i>Groups</i>	<i>Percentage in each group</i>	
	<i>Total peasant population</i>	<i>Membership of associations</i>
Not planting at all	10	5
Planting less than 2 deciatines*	21	12
Planting from 2 to 10 deciatines	56	64
Planting over 10 deciatines	13	19
	<hr/> 100	<hr/> 100

\* One *deciatine* = 2.7 acres.

In the membership of the credit associations the proportion of the peasant groups which do no planting is twice smaller than in the peasant population as a whole. The predominant groups in the associations are those with an acreage of intermediate size, and they are followed next by the large acreage groups.

The members of the credit associations are also better provided with live stock than the peasant mass at large.

These data would at first seem to indicate that the credit associations have the tendency to confine themselves exclusively to the better situated peasant groups. That this is not the case is shown by the following interesting table given by M. Krassilnikov:

<i>Groups</i>	<i>Percentage of membership of credit associations in each group in the province of Ufa on January 1 of the year:</i>				
	<i>1906</i>	<i>1908</i>	<i>1909</i>	<i>1910</i>	<i>1911</i>
Owning no horses	2	3	3	4	4
Owning 1 horse	16	25	27	27	28
Owning 2 horses	29	31	32	31	32
Owning 3 or 4 horses	34	29	26	27	25
Owning more than 4	19	12	12	11	11
	<hr/> 100	<hr/> 100	<hr/> 100	<hr/> 100	<hr/> 100

This table shows that while the credit associations originally attracted the better situated groups, they have been gradually enlisting, as they grew stronger, the poorer peasants as well. The proportion of horseless peasants in the coöperatives of Ufa province doubled in the course of five years, while the proportion of peasants owning more than four horses decreased by more than one third. "The coöperative movement in Ufa province originated among the well-to-do elements of the rural population," says M. Krassilnikov, "but it gradually came to embrace poorer households as well, and as a result its nucleus was in later

years formed of the intermediate groups, those which actually constitute what is known as the mass of the people."

An investigation of the credit associations of Nikolsk, Ranenburg district, province of Ryazan, likewise showed that a coöperative society naturally tends to base its activities on those groups of the peasantry which hold an intermediate position economically. These intermediate groups and those immediately above them form the normal membership of credit coöperation.

Somewhat different conclusions were reached by M. Mukhin as the result of an investigation of the credit association of Svyatskaya, Chernigov province. The membership of that society represents a poorer class than the rest of the population, and the latter also comprises a larger proportion of individual rich peasants. The credit associations do not base their activities on the stronger elements, according to M. Mukhin. They embrace the intermediate groups and the poor peasants, but those only who still work for their own account. The pauperized elements are excluded, as are also partly the upper groups among the peasants.

The last statement seems paradoxical to the author himself. Indeed, it hardly can be generalized and it evidently reflects a situation engendered by some accidental or exceptional circumstances that are peculiar to that one society. All available data obtained by more extensive investigations indicate that not only does credit coöperation not "exclude" the richer peasant groups, but that it strongly attracts them.

Moreover, M. Mukhin also finds that it is the intermediary groups that predominate in the credit associations. All investigations thus concur to the effect that coöperative credit in Russia serves primarily the interests of the intermediate groups of "laboring" peasants, those engaged in farming for their own account and working on their own land.<sup>15</sup>

A certain reservation has to be made with reference to Professor Tugan-Baranovsky's statement to the effect that credit coöperation "strongly attracts" the richer classes among the peasantry. That this is not quite exact may be seen, for instance, from the changes in the relative importance of the various elements in the membership of credit societies as shown in the table on p. 263, which Tugan-Baranovsky himself quotes. That table clearly shows that the tendency is for the proportion of the poor to increase and for that of the rich to decrease.

<sup>15</sup> M. T. Tugan-Baranovsky, *Sotsialnaya Osnova Kooperatsii* (*The Social Foundations of Coöperation*), 1921, pp. 378 sqq.

On the whole, there is no doubt that the lower limit of participation in credit societies coincided with the line that separates the peasant groups which are engaged in farming for their own account from those groups which are not. All groups above that line, without exception, constitute the social milieu in which coöperative credit develops.

It is interesting to note that the two extreme groups—the rich and the poor—form together a proportion of the membership that remained unchanged during five years, namely, 15 per cent. The proportion of the intermediate groups, which formed the overwhelming majority, likewise remained constant, at almost 85 per cent. But within those intermediate groups, however, there is noticeable a change in the direction of an increase of the relative importance of the lower strata, and only the central group, that of peasants owning two horses, maintaining its relative importance unchanged throughout the five-year period.

#### *Territorial Distribution.*

Coöperative credit organizations were distributed very unevenly over the vast territory of Russia, owing to the great variety of economic life in the several regions.

The table below will give an idea of the distribution of loan and savings associations and of credit associations and of their respective memberships. The table covers the whole territory of Russia, with the exception of Poland, Finland, and the Baltic provinces. The division by regions is in accordance with the classification adopted in the official publications of the old Ministry of Agriculture. The figures have been obtained from official sources;<sup>16</sup> those for the number of organizations refer to January 1, 1915, while the membership is given as on January 1, 1914. The several regions within the large divisions, are listed in descending order, by number of members.

<sup>16</sup> Reports (*Otcheti*) of the Board of Small Credit; *Ezhгодnik Rossii* (*Russia's Yearbook*), published by *Tsentralni Statisticheski Komitet*, Petrograd.



*Number and Membership of Coöperative Credit Societies  
by Regions.*<sup>17</sup>

Regions	All societies		Loan and savings associations		Credit associations	
	Number of societies	Member- ship	Number of societies	Member- ship	Number of societies	Member- ship
<i>A. European Russia:</i>						
1. Central Agricultural region	1,499	1,093,500	151	105,500	1,348	988,000
2. Odessa region	1,533	1,071,200	454	318,800	1,079	752,400
3. Middle Volga	1,330	863,300	83	46,000	1,247	817,300
4. Ural region	857	598,900	45	22,800	812	576,100
5. Ukraine	889	596,400	151	99,000	738	497,400
6. Southwest	1,028	590,800	409	281,800	619	309,000
7. Industrial region	1,046	502,400	211	82,900	835	419,500
8. Lower Volga	684	421,400	54	16,800	630	404,600
9. White Russia	648	348,500	280	155,400	368	193,100
10. Lithuania	377	191,100	220	132,100	157	59,000
11. Lake region	395	149,300	122	52,400	273	96,900
12. Northern region	149	51,500	7	1,900	142	49,600
<i>B. Asiatic Russia:</i>						
1. Western Siberia	886	497,300	40	16,200	846	481,100
2. Steppe region	367	120,900	77	29,500	290	91,400
3. Turkestan	482	82,500	241	29,200	241	53,300
4. Eastern Siberia	190	42,800	3	600	187	42,200
<i>C. Caucasus:</i>						
1. Northern Caucasus	444	286,200	91	64,900	353	221,300
2. Trans-Caucasia	522	122,300	147	35,700	375	86,600
Total	13,326	7,630,300	2,786	1,491,500	10,540	6,138,800

The table shows that the principal centers of the coöperative credit movement were, first, the provinces of the central agricultural zone, that is, that very region which had won at an earlier period the name of "coöperative desert," and the fertile regions of the south. From these centers the credit societies were spreading out eastward across

<sup>17</sup> The several regions include the following territories:

*A. European Russia:*

1. Central Agricultural region: provinces of Kursk, Orel, Tula, Ryazan, Tambov, and Voronezh.
2. Odessa region: provinces of Bessarabia, Kherson, Taurida, Ekaterinoslav, Don territory.
3. Middle Volga: provinces of Saratov, Simbirsk, Kazan, Penza, Nizhni-Novgorod, and Ufa.
4. Ural region: provinces of Vyatka and of Perm.
5. Ukraine: provinces of Kharkov, Chernigov, and Poltava.
6. Southwest: provinces of Podolia, Kiev, and Volhynia.

the Middle Volga region, into Western Siberia, into the Ukrainian provinces, and further southward to Northern Caucasus. Coöperative credit was less developed in the northern portions of European Russia and in the borderlands.<sup>18</sup>

As a general rule, the localities which had the largest number of coöperative credit organizations showed also, on the average, the largest area of activity of the individual societies as measured by their membership. The following table shows this, as it does also some deviations from the general rule, which it may be interesting to note:<sup>19</sup>

7. Industrial region: provinces of Vladimir, Moscow, Kaluga, Tver, Yaroslav, and Kostroma.
8. Lower Volga: provinces of Samara, Orenburg, and Astrakhan.
9. White Russia: provinces of Mogilev, Minsk, Vitebsk, and Smolensk.
10. Lithuania: provinces of Vilna, Kovno, Grodno, and Kholm.
11. Lake region: provinces of Petrograd, Pskov, Novgorod, and Olonetz.
12. Northern region: provinces of Archangel and Vologda.

B. *Asiatic Russia:*

1. Western Siberia: provinces of Enissei, Irkutsk, Tobolsk, and Tomsk.
2. Steppe region: regions of Ural, Turgai, Akmolinsk, Semipalatinsk, and Semirechensk.
3. Turkestan: Trans-Caspian region and regions of Syr-Daria, Fergan, and Samarkand.
4. Eastern Siberia: Trans-Baikalian region, Yakutsk region, Amur region, Maritime region, Sakhalin, Kamchatka.

C. *Caucasus:*

1. Northern Caucasia: Kuban region, Stavropol province, Terek region.
2. Trans-Caucasia: provinces of Baku, Elizbetpol, Kutais, Tiflis, Black Sea, and Erivan; regions of Daghestan and Kars; region of Sukhum, Zakateli, and Batum.

<sup>18</sup> The subsequent war years wrought little change in the distribution. It was characteristic for the war years that the growth of coöperative organizations proceeded with the greatest intensity in the localities that were farthest remote from the theater of war operations, which was but natural. However, this could not result in any material changes in the general distribution of organizations in the brief three-year period, from 1915 to 1918.

<sup>19</sup> *Sbornik Statistiko-Ekonomicheskikh Svedeni po Selskomu Khozyaistvu Rossii* (Collection of Data on Russian Agriculture), published by the Ministry of Agriculture, Petrograd, 1917, X, 538.

<i>Region</i>	<i>Average membership of an association</i>
<i>A. European Russia:</i>	
1. Central Agricultural region	729
2. Odessa region	698
3. Ural region	696
4. Ukraine	670
5. Middle Volga	649
6. Lower Volga	616
7. Southwest region	574
8. White Russia	537
9. Lithuania	507
10. Industrial region	480
11. Lake region	377
12. Northern region	345
<i>B. Asiatic Russia:</i>	
1. Western Siberia	561
2. Steppe region	329
3. Eastern Siberia	225
4. Turkestan	171
<i>C. Caucasus:</i>	
1. Northern Caucasus	644
2. Trans-Caucasia	234
Average for Russia	565

Thus, in the nine regions where coöperative credit organizations were most numerous, the size of the societies was above the general average, while in the nine regions with a comparatively small number of societies the average size of organizations was below the average for the country as a whole.

A mere glance at the figures of the two preceding tables is sufficient to show the connection between the growth of coöperative credit, on the one hand, and the prevalence and progress of grain farming, on the other. In other words, the growth of coöperative credit was primarily in response to the needs of the peasant husbandry based on grain production. The growth of production was accompanied by that of coöperative credit organizations, and the two processes were closely interrelated.

Of the two types of organizations—loan and savings associations and credit associations—the former were found in large numbers in Lithuania and in White Russia, chiefly in the cities and towns and among the Jewish population of those regions. They were also of some importance in the Southwest and in the Odessa region, as well

as in Turkestan. In all other regions, the typical and unquestionably predominant type of organization was the credit association, especially among the rural population.

In addition to the numerical distribution of the organizations, it may be interesting to inquire into the "density" of coöperative credit, as measured for each region by the ratio of the membership of the associations to the total number of families in the region. The following table, which is based on data referring to January 1, 1915, is designed to illustrate this point. Unfortunately, it was impossible, owing to the lack of sufficiently detailed figures, to separate the urban societies and to consider their membership in relation to the total urban population. Nevertheless, the general picture shown by the table is quite interesting. It will be seen that although the distribution by density does not entirely correspond with that by number of organizations, the two are substantially along the same lines:

*Density of Coöperative Credit in Russia.*

<i>Regions:</i>	<i>Number of families (in thousands)</i>	<i>Membership of societies</i>	<i>Ratio of mem- bership to families</i>
1. Ural	1,403	598.9	42.6
2. Odessa	2,778	1,071.2	38.4
3. Central Agricultural	3,025	1,093.5	35.9
4. Western Siberia	1,396	497.3	35.6
5. Middle Volga	2,691	863.3	32.1
6. Ukraine	1,811	596.4	32.0
7. Lower Volga	1,310	421.4	31.7
8. Northern Caucasus	986	286.2	29.0
9. Southwest	2,303	590.8	25.6
Median			23.15
10. Industrial	2,424	502.4	20.7
11. White Russia	1,691	348.5	20.6
12. Lithuania*	1,042	191.1	18.4
13. Steppe	913	120.9	13.2
14. Northern	392	51.5	13.1
15. Lake	1,181	149.3	12.6
16. Eastern Siberia	392	42.8	10.9
17. Trans-Caucasia	1,295	122.3	9.4
18. Turkestan	1,026	82.5	8.0
Russia	28,059	7,630.3	26.8

\* Not including Kholm province.



Thus, the density is above the median of 23.15 in nine regions and likewise below the median in nine regions. Very high densities are found in localities where the number of societies is largest, the highest points being in the Ural region, the Odessa region, the Central Agricultural region, and in Western Siberia.

## CHAPTER II

### COÖPERATIVE CREDIT SOCIETIES AND THE WAR

#### *Growth in Membership and Resources.*

At the outbreak of the War coöperative credit in Russia had reached a stage which may be described as a transition period between adolescence and maturity. It was a healthy, vigorous organism, bearing the promise of future growth and development, and of boundless hopes and prospects.

The first five months of the War had no appreciable effect on the development of coöperative credit, except that its pace slowed down somewhat. In the course of 1914 the growth continued both in the number of organizations and in their membership; thus the loan and savings associations increased by about 350 organizations and their aggregate membership by 300,000, while the credit associations increased by 1,150 organizations and that of their membership over one million. By the end of that year the total number of credit co-operatives had thus attained 14,500, with a total membership of about 9,500,000 households.<sup>1</sup> At that time Russia already ranked first among all countries in the membership of its coöperative credit organizations. The period of groping and experimentation, of failures and disappointments, was over, and the coöperative credit movement was entering a period of normal and steady progress. The slowing down in the annual increase had already appeared in 1913, and the process, therefore, cannot be explained entirely by the effect of war conditions, but was more probably due to the relative saturation of the country with coöperative credit societies. But with the new organizations set up in the four war years, 1914-1917, the coöperative credit system amounted to 16,500 associations on January 1, 1918, an increase of 3,500 over January, 1914.<sup>2</sup>

<sup>1</sup> A. N. Antsiferov, *Kooperativni Kredit i Kooperativnie Banki (Coöperative Credit and Coöperative Banks)*, 2d edition, Prague, 1922.

<sup>2</sup> These figures do not include the small credit institutions of non-coöperative nature which had been created for the benefit of the peasant estate exclusively, and which do not come within the scope of this study. However, those organizations had many functions in the field of small credit analogous to those of coöperative organizations. The number of such institutions aggregated nearly five thousand at the end of 1915. Cf. M. Khcisin, *Sovremennoe*

Even more remarkable was the growth of membership and of operating funds during the war years:<sup>3</sup>

	Membership			Operating funds		
	Credit associations	Loan and savings associations (in thousands)	Total	Credit associations	Loan and savings associations (in millions of rubles)	Total
Jan. 1, 1913	4,868	1,726	6,594	214	256	470
Jan. 1, 1914	6,209	2,044	8,253	305	309	614
Jan. 1, 1915	7,227	2,260	9,487	382	328	710
Jan. 1, 1916	7,787	2,297	10,084	452	331	783
Jan. 1, 1917	8,162	2,315	10,477	601	382	983

The progress was particularly pronounced in the credit associations, which had become the predominant type forming about three-fourths of the total number of societies and comprising 79 per cent of the total membership. Ten and one-half million households were affiliated with the coöperative credit movement in 1917. It may, therefore, be said that up to sixty million persons, or almost one-third of Russia's population, were thus directly concerned in its progress and success. In the course of five years the operating funds of the loan and savings associations increased one and one-half times, and those of the credit associations, almost three times.<sup>4</sup>

*sostoyanie Kreditnoi Kooperatsii v Rossii (Present Condition of Credit Co-operation in Russia)*, in *Vestnik Kooperatsii*, 1916, no. 6.

<sup>3</sup> *Sbornik Statistiko-Ekonomicheskikh Svedeni*, X, 562-569. Cf. also Antsiferov, *Kooperativni Kredit i Kooperativnie Banki (Coöperative Credit and Coöperative Banks)*, Kharkov, 1918, pp. 119 sqq.

<sup>4</sup> While the number of organizations was thus steadily growing during the War, this increase was partly offset by a decrease due to enemy occupation of Russian territory. Loan and savings associations were particularly affected, as almost 30 per cent of their number were located in Poland and the Baltic provinces. The evacuation of these territories resulted in a decrease of 960 in the number of societies of that type. On the other hand, only about five hundred credit associations were located in the evacuated regions. The following table illustrates the changes brought about by evacuation:

	Number of societies			Operating funds		
	Loan and savings associations	Credit associations	Total	Loan and savings associations	Credit associations	Total
	(in millions of rubles)					
January 1, 1915	3,815	10,687	14,502	328	382	710
January 1, 1916	2,855	10,873	13,728	203	433	636

The loss of territory thus resulted in an absolute decrease in both the number of organizations and the aggregate operating funds; but this decrease was compensated by the subsequent increase in 1916 and 1917.

Early in 1917 the organizations had at their disposal a working capital which amounted to almost one billion rubles.

The effects of the War on the movement of deposits was felt by co-operative societies as well as by the large city banks and the government savings institutions. In the first days that followed the mobilization a withdrawal of deposits had begun; it is interesting to note, however, that contrary to general expectations it was not as pronounced in the coöperatives as in other credit institutions. As early as the autumn of the first war year deposits began to flow in again, so that as a net result they continued to increase. The increase though was at a slower rate than before the War as far as the loan and savings associations were concerned, while credit associations were much less affected.<sup>5</sup>

	<i>Loan and savings associations</i>		<i>Credit associations</i>	
	<i>Deposits</i>	<i>Capital and owned funds</i>	<i>Deposits</i>	<i>Capital and owned funds</i>
	<i>(in millions of rubles)</i>			
January 1, 1915	221	73	199	42
January 1, 1916	221	76	219	53
January 1, 1917	274	79	420	61

The loaning operations of the coöperatives were affected by the War even more strongly. We have seen above that prior to the War the growth of loans had run parallel to that of operating funds. While coöperative credit transactions could not be and were not affected to any extent by the war with Japan, the War of 1914 did affect them materially. It resulted in an absolute decrease in the amount of loans granted by them as may be seen from the following table:<sup>6</sup>

	<i>Loan and savings associations</i>	<i>Credit associations</i>
	<i>(in millions of rubles)</i>	
January 1, 1915	268	312
January 1, 1916	256	312
January 1, 1917	238	295

<sup>5</sup> If the depreciation of money and the resulting advance of prices are taken into consideration, it will probably be found that deposits, when expressed in terms of real values, remained stationary, on the pre-war level, in loan and savings associations, while they continued to grow in credit associations.

<sup>6</sup> Antsiferov, *loc. cit.*, pp. 119, 121.



These figures clearly indicate a decrease in the demand for credit. It is certainly a mistake to regard that decrease as a sign of increased well-being of the rural population. One of the causes of the weakened demand for credit was undoubtedly the greater flow of money into the villages, coming partly from separation allowances, money remittances from the front, and higher prices of agricultural products. The main cause, however, was of a different nature. The decrease in borrowing was due to curtailed agricultural production. The shortage of labor, due to the successive mobilizations which took away great numbers both of peasants and of agricultural laborers, together with the general atmosphere of uncertainty created by the War, tended to impair the position of Russian agriculture, and to weaken the economy of the village improved in the last years that preceded the War with the aid of coöperative credit organizations. Another factor that contributed to a lessened demand for credit was the accumulation of considerable surplus funds which could not be invested in a very rational manner, owing to the weakness and the insufficiency of coöperative federations. That was particularly the case with regard to the credit associations, as shown in the following table of sums deposited in banks or invested in interest-bearing securities:<sup>7</sup>

	<i>Bank deposits</i>	<i>Securities</i>	<i>Total</i>
	<i>(in millions of rubles)</i>		
<i>Loan and Savings Associations</i>			
1914	28	7	35
1915	27	8	35
1916	30	11	41
1917	59	29	88
<i>Credit Associations</i>			
1914	13	2	15
1915	19	3	22
1916	40	15	55
1917	87	61	148

The table shows the large amounts of free funds that had accumulated in the societies of either type. These funds were partly invested in government bonds and short-term treasury issues, and to that extent they seemingly served the useful purpose of supporting the government loan operations. We will see later, however, the actual meaning of these investments.

<sup>7</sup> Antsiferov, *loc. cit.*, pp. 121-123.

*Analysis of Financial Statements.*

We shall now proceed to analyze in greater detail the balance sheets of the credit organizations for the several war years, which will enable us to obtain a more precise view of the trend of their activities as affected by war conditions.

According to the reports of the Board of Small Credit, the liabilities of the loan and savings associations were constituted as follows, at the beginning of each year from 1914 to 1917:<sup>8</sup>

*Loan and Savings Associations.*

	1914	1915	1916	1917
<i>Liabilities:</i>		(percentage)		
1. Deposits	67.3	67.8	67	71.7
2. Capital and owned funds	21.2	22.2	23.1	20.7
3. Borrowed funds:				
A. Government	4	5.7	5.5	3.1
B. Zemstvos	2	2.7	2	1.1
4. Other items	5.5	1.6	2.4	3.4
	<hr/> 100	<hr/> 100	<hr/> 100	<hr/> 100

As far as the constitution of their liabilities is concerned, the loan and savings associations were very much akin to the Schulze-De-litzsch societies in Germany, showing the same salient features: (a) the capital and other owned funds were holding a very prominent place, over one-fifth of the total liabilities; (b) deposits, together with the owned funds, constituted the principal source from which loan operations were financed; (c) borrowed funds played but a subordinate part.

A comparison of the figures of the table above with the balance statement for January 1, 1908, (p. 245) will show little change in the structure of liabilities between that date and the War. The aggregate deposits and owned capital formed 88.3 per cent of the total liabilities on January 1, 1908, and 88.5 per cent, on January 1, 1914. Borrowed funds represented nearly the same proportion of liabilities on the former date as on January 1, 1916 (6.9 per cent and 7.5 per cent, respectively). In 1915 and in 1916, however, the proportion of deposits and owned capital combined was steadily in-

<sup>8</sup> *Ibid.*, p. 119.

creasing, and that of borrowed funds was accordingly gradually decreasing, until it reached 4.2 per cent of all liabilities on January 1, 1917.

The structure of liabilities clearly shows that the loan and savings associations were standing firmly on their own feet. They further show a definite and consistent trend of development, and such as corresponded with the objects of coöperative credit organizations. This, together with the fact that the organizations were steadily growing, both in numbers and in membership, shows that they were not artificial, but were drawing their strength from their intimate contact with the processes of national economic life.

Let us inquire now into the assets of the same group of organizations, also expressed in percentages:<sup>9</sup>

*Loan and Savings Associations.*

<i>Assets:</i>	<i>1914</i>	<i>1915</i>	<i>1916</i>	<i>1917</i>
1. Loans	82.4	82	78	62
2. Free funds:				
A. On deposit	9.2	8.3	9	15.2
B. Securities	2.8	2.4	3.2	7.8
C. Cash on hand	1.8	2.1	2.6	4
	<hr/>	<hr/>	<hr/>	<hr/>
Total free funds	13.8	12.8	14.8	27
3. Plant and equipment	3.3	3.7	3.8	4
4. Merchandise on hand	0.5	0.6	1.4	4.2
5. Other items	—	0.9	2	2.8
	<hr/>	<hr/>	<hr/>	<hr/>
	100	100	100	100

These figures show, first, that loans to members remained throughout the War the principal operation of the associations. They absorbed four-fifths of the operating funds in 1914 and in 1915, and it was only in 1916 that this proportion decreased to any considerable extent. Another fact that appears from the table is the steady growth of the amount of free funds; as the proportion of loans decreased these funds were to an increasing extent being invested in securities or deposited with banks. In the beginning of 1917 the amounts thus invested and deposited represented 23 per cent of the total assets.

<sup>9</sup> Antsiferov, *loc. cit.*, p. 121.

The amount of cash on hand was also considerable, and it likewise grew as the loan operations became weaker. Trading or "intermediary" transactions showed a certain increase during the war years, as shown by the item "merchandise on hand," but they still remained on a very modest scale, about the same as in the German associations of the same type.

It should be noted that the funds provided by the associations themselves, that is, capital and deposits, were more than sufficient to carry on their loan operations, as will be seen from the absolute amounts and ratios below:<sup>10</sup>

	<i>Deposits and capital</i> (in millions of rubles)	<i>Loans</i>	<i>Ratio</i>
January 1, 1915	273.9	268.1	98
January 1, 1916	277.0	256.8	92
January 1, 1917	332.2	238.7	71

Passing now to the balance sheets of the credit associations and beginning again with liabilities, we shall find that the latter are constituted in a different manner than in the loan and savings associations, the difference being particularly pronounced in the early war period.

<i>Liabilities:</i>	<i>Russian credit associations</i> 1914	<i>1917</i>	<i>German Reichsverband</i> <i>societies</i>
1. Deposits	51.8	70	80.8
2. Owned capital	14.1	10.6	3.8
3. Borrowed funds	26.5	12.3	15.4
4. Other liabilities	7.6	7.1	—
Total	100	100	100

A characteristic feature of the balance sheet of the credit associations, as compared with the loan and savings associations, is the proportional importance of borrowed funds. While the loan and savings associations resorted to borrowing only occasionally, borrowing was for the credit associations a permanent, indispensable, and very material source of working capital. At the beginning of the war period, borrowed funds formed over one-fourth of the working capital. Their proportion was actually larger, as the official balance statements list under "borrowed funds" only such sums as were borrowed for cur-

<sup>10</sup> *Ibid.*, pp. 122 *sqq.*



rent operations and mostly for short terms. In addition to this, however, the initial capital and the special funds of the credit associations were also constituted to a great extent by amounts borrowed for long terms from the Government, the State Bank, the savings banks, and partly from zemstvo funds.<sup>11</sup> The proportion of borrowed funds had remained practically unchanged, fluctuating at about 25 per cent of the total liabilities since 1905. On January 1, 1917, however, their proportion had decreased by one-half, to 12.3 per cent of the total, as a result of the rapid inflow of deposits beginning with the second year of the War. The relative importance of owned capital had likewise decreased owing to the same factor. At that moment the structure of liabilities in the Russian credit associations began to approach that of the German societies affiliated with the *Reichsverband*, which were the foreign coöperative societies most closely resembling them in the general features of their internal organization.

The changes in the assets of the credit associations during the War are shown by the following table:<sup>12</sup>

<sup>11</sup> The following data present the composition of the capital account of the loan and savings and the credit associations in the years before the War, according to the reports of the Board of Small Credit. (Quoted by L. Zack, in *Vestnik Kooperatsii*, 1916, No. 6.)

	Loan and savings associations				Credit associations			
	1908	1910	1912	1914	1908	1910	1912	1914
	(percentage)				(percentage)			
1. Members' shares	94.2	94	92	87.6	—	—	—	—
2. Owned capital	3.8	4	4	5.5	16	25	29.5	31.3
3. Borrowed capital	2	2	4	6.9	84	75	70.5	68.7
A. From the Government	0.6	1.7	3	6.1	74	66	62.2	62.6
B. From the zemstvos	0.1	0.1	0.3	0.4	5	5	4.4	3.2
C. From other sources	1.3	0.2	0.7	0.4	5	4	3.9	2.9

In the loan and savings associations the capital consisted almost entirely of members' shares and funds owned by the organizations; borrowings formed but a small part of their capital. In the credit associations over two-thirds was borrowed capital, chiefly from government sources; next in importance was their owned capital; while borrowings from zemstvos and private persons and institutions were last in importance.

<sup>12</sup> Antsiferov, *loc. cit.*, pp. 123 *sqq.*

	1914	1915 (in millions of rubles)	1916	1917
<i>Assets:</i>				
1. Loans	263	312	312	295
2. Free funds				
A. Bank deposits	13	19	40	87
B. Securities	2	3	15	61
C. Cash on hand	12	22	36	54
	<hr/>	<hr/>	<hr/>	<hr/>
Total	27	44	91	202
3. Plant and equipment	9	14	18	25
4. Merchandise on hand	5	9	21	56
5. Other assets	1	3	9	23
	<hr/>	<hr/>	<hr/>	<hr/>
Total	305	382	451	601

*Ratios of the Several Assets.*

	1914	1915 (percentage)	1916	1917
<i>Assets:</i>				
1. Loans	86.2	82	69	49
2. Free funds	8.9	11.4	20.4	33.5
3. Plant and equipment	3	3.6	4	4.2
4. Merchandise on hand	1.6	2.4	4.7	9.4
5. Other assets	0.3	0.6	1.9	3.9
	<hr/>	<hr/>	<hr/>	<hr/>
Total	100	100	100	100

It is seen that in these organizations, as in the loan and savings associations, the relative importance of loans was decreasing during the War; on January 1, 1917, they amount to but 49 per cent of the total assets, as compared with 86.2 per cent on January 1, 1914. Even the absolute amounts of these loans showed a tendency to decline during 1916. This process was accompanied by that of the accumulation of free funds, which reached the proportion of one-third of the total assets by 1917. The structure of the assets thus became altogether anomalous. Trading operations developed at a much more rapid pace than in the loan and savings associations, especially in the year 1916, as "merchandise on hand" constituted 9.4 per cent of the total assets by January 1, 1917. Yet these operations were still holding a modest place in the work of the societies.

*Operations and Economic Functions.*

The first outstanding fact shown by the preceding analysis is that the growth of deposits, uninterrupted prior to the War, became particularly pronounced during the war years, in all coöperative credit organizations. It is interesting, therefore, to inquire into the nature of those deposits, what social class contributed them, and the changes wrought by war conditions.

It should be observed that a comparatively large proportion of the membership of coöperative societies never applied for loans. About one-third of the members of the credit associations and one-sixth of those of the loan and savings associations did not avail themselves of the credit facilities afforded by their organization,<sup>13</sup> using the latter as a savings bank only. Naturally it was from the bulk of the membership that the depositors were recruited. In the urban loan and savings associations, which formed about 12 per cent of the total number of organizations of that type, the personnel of depositors was, of course, less uniform than in the rural societies; it was in the latter that the depositors almost exactly reflected the social structure of the peasant mass as a whole, as did the overwhelming majority of their membership. This is confirmed indirectly by the small average amount of deposits, which was slightly over 200 rubles in the loan and savings associations, and somewhat below that figure in the credit associations. In addition to the mass of peasant depositors, there were a very limited number of rural clergymen and of members of the local "intelligentsia," such as teachers, physicians, agronomists, occasionally a few representatives of the landed gentry, and only in exceptional cases such notables as police officers, postal clerks, and storekeepers. The latter, however, figured rather in the capacity of lenders when a coöperative organization found itself temporarily in

<sup>13</sup> A few figures, showing the ratios of borrowers to membership, taken from the reports of the Board of Small Credit for 1906-1917 will illustrate the situation in this respect before the War:

	<i>Loan and savings associations</i>	<i>Credit associations</i>
	<i>(percentage)</i>	
1908	87	61
1909	82.9	60
1910	85.2	60
1911	85.3	62
1912	83.4	69
1913	84.5	66.9
1914	84.3	67.8

financial straits, and was under the compulsion to pay handsomely for a loan.

The predominant forms of deposits were demand deposits, which were a substitute for current account operations, forbidden under the old legislation, and short-term deposits payable within one year. In 1914 these two forms of deposits formed together 84 per cent of the total deposits in loan and savings associations. They were an important item in the credit associations as well, but societies of the latter type had succeeded in enlisting public confidence to a sufficient extent to obtain a much larger proportion of long-term deposits, which formed 41.5 per cent of their aggregate deposits. This was, of course, of prime importance in building up a credit system of a rural and primarily agricultural nature.<sup>14</sup>

Prior to the War, the deposit operations were developing normally, without interruption or derangement, in spite of the extremely rapid growth of new organizations (especially those of the credit association type) and their membership, and this promised to remain a reliable and permanent source of working capital for the societies. But after the outbreak of the War, and especially since 1916, there began a veritable rush of deposits into the credit coöperatives. Some of the causes of this development have been pointed out above. The effect of specific war-time conditions was obvious. It might be said that the flow of deposits consisted of two separate currents, one normal and steady, the other transitory and artificial in character. This superficial war-time tendency is best illustrated by a few local observations:<sup>15</sup>

A member on the board of a credit association writes that he had asked some peasants, who deposited with him some money realized from the sale of their oxen, whether they intended to buy other cattle, and the reply was that they would, later on, when the lads returned from the trenches. Now, they said, there was nobody to work them. The author adds that there is plenty of currency in the village, but not much work done.

<sup>14</sup> The distribution of deposits was as follows in 1914: In the loan and savings associations, the demand deposits formed 45.2 per cent, deposits of less than one year, 38.8 per cent, and long-term deposits, chiefly one to five years, 16 per cent. In the credit associations these percentages were 21.3, 37.2, and 41.5, respectively.

<sup>15</sup> Quoted from I. Bubnoff, *The Coöperative Movement in Russia*, Manchester, 1917, pp. 143-144.



In some districts, in the central provinces, the women do not take part in the agricultural work; they are in many cases unable to make out the value of money or even to count it properly, and take it to some of the credit associations. The money circulating among the peasants is realized from the sales of horses and cattle to the army. . . .

The wealth of the village caused by the war is reflected in a surfeit of deposits, in the absence of applications for loans, which are useless, as goods have disappeared from the market, and one cannot buy anything for money. The wife of a soldier, for instance, sells her horse for 100 or 200 rubles, and puts the money into the credit association, but afterwards, when she will want a horse, she will have to pay 400 or 500 rubles. Meanwhile we are rich, we have money in the bank. . . .

The richness caused by the money [adds the writer of the letter] is of a nature similar to the money itself: it is of paper, and has no weight, and good only to be counted; it goes like water, and leaves no trace.

As regards another important element of liabilities, the funds borrowed by societies for current operations, mostly for short terms, their distribution prior to the War by sources from which they had been obtained was as follows:<sup>16</sup>

	<i>Loan and savings associations</i>		<i>Credit associations</i>	
	<i>1908</i>	<i>1914</i>	<i>1908</i>	<i>1914</i>
	<i>(percentage)</i>			
Funds borrowed from:				
A. State bank	9.7	35.9	82	58.1
B. Zemstvos	1.5	21.7	3.9	28.9
C. Small credit associations	0.7	9	0.6	4.6
D. Private persons and institutions	88.1	33.4	13.5	8.4
	<hr/>	<hr/>	<hr/>	<hr/>
	100	100	100	100

Thus the proportion of borrowed funds that was represented by State Bank credits was growing at a high rate in the loan and savings associations, while it was decreasing in the credit associations. At the same time, borrowings from zemstvos were increasing in importance in both types of societies, owing to the growth of the zemstvo funds for small credit.

But irrespective of the distribution of borrowed funds by the sources of their origin, we have seen that in the loan and savings asso-

<sup>16</sup> L. Zack, *Kreditnaya kooperatsya v Rossii za desyat let v tsifrakh* (*Ten Years of Russian Coöperation in Figures*), in *Vestnik Kooperatsii*, 1916, No. 6, quoting data of the Board of Small Credit.

ciations those funds did not at any time reach a considerable amount in the aggregate, and that their relative importance had further decreased during the War. By 1917 borrowings from government sources amounted to only about 12,000,000 rubles, and only about one-third of that amount had been borrowed from zemstvo funds. At the same time, the loan and savings associations had accumulated almost 88,000,000 rubles of free funds, which were deposited with private banks or invested in securities. The situation practically amounted to this: instead of the state financing the associations, it was, on the contrary, the latter that were lending their own funds to the Government for long terms. It is obvious that the associations could easily, in two or three years, pay off, out of their profits, the aggregate of 12,000,000 rubles of their debts to the State Bank, the savings banks, and the Board of Small Credit. However, borrowings from the Government, which had formerly been of a certain importance as a means of paying off the debts of the societies to private persons, were continued purely as a matter of tradition.

In the credit associations the situation was somewhat different, and the effects of the War were more pronounced. Up to January 1, 1915, their own funds, together with deposits, were about 55,000,000 rubles less than the amount required to meet the demand for loans. To meet that demand they had obtained advances from the Government for about 86,000,000 rubles.<sup>17</sup> The surplus which was thus left formed free funds, which were either deposited in banks or invested in government loans, the transaction being, in either instance, financed, in final account, out of government funds. To the extent that the associations were depositing those funds with private banks, they were playing the utterly inappropriate part of an agency transferring into the capitalist money market government moneys that had been designed to serve for the promotion of coöperative credit. While carrying on this ungrateful function, the associations had, in addition, to pay a certain charge for the service they were thus rendering the money market, since the interest they were getting from the private banks on their deposits was at a lower rate than that charged on advances of the State Bank or of the Savings Banks.

The situation changed toward the beginning of 1916. The funds owned by the credit associations, together with deposits, were now not only sufficient to meet the demand for loans, but after that de-

<sup>17</sup> Antsiferov, *loc. cit.*, p. 122.

mand had been met there was left a surplus of about 20,000,000 rubles. As borrowing from government funds continued nevertheless, the process of supplying the money market with funds through the channels of coöperative organizations became even more intensive. The process was, of course, in direct opposition to the interests of coöperation, as it reversed the normal relationship between the money market and the coöperative societies.

The process further gained in intensity in the course of the year 1916, owing to the inflow of deposits. By the end of that year, deposits and funds owned by the credit associations aggregated 497,000,000 rubles, which were offset only to the extent of 59 per cent by the 295,000,000 rubles of outstanding loans. Borrowings from the Government which amounted to 54,000,000 rubles, were altogether superfluous and formed merely a dead weight, compelling the associations to keep large amounts (87,000,000 rubles) on deposit in banks without any advantage, to invest in securities (61,000,000 rubles), and to maintain an enormous amount of cash on hand (54,000,000 rubles). These three items combined formed exactly one-third of the total assets on January 1, 1917.

That policy was not and could not be of any importance in the way of giving material support to government loan operations. Securities purchased by both loan and savings associations and credit associations aggregated 90,000,000 rubles—a negligible amount when compared with the Government's war-time requirements. Even had all that amount been invested in war loans, it would have been just sufficient to cover the war expenditures of one and one-half days. Furthermore, it was obviously absurd to transfer the funds of government savings banks to credit associations in order to enable the latter to purchase government bonds. The savings banks could have accomplished that themselves in a much simpler manner and with more advantage for the credit of the Government.

If we consider the amounts borrowed from government sources in relation to the membership of the associations, we shall find that the per capita amount was 6.64 rubles in the credit associations, and 5.13 rubles in the loan and savings associations; again, an altogether insignificant amount.<sup>18</sup>

Now that we have analyzed the financial structure of the coöperative organizations and the general trend of their assets and liabilities

<sup>18</sup> A. N. Antsiferov, *K voprosu o gosudarstvennom kreditovanii kooperatsii*



both before and during the War, we may inquire as to what were the principal economic needs that were satisfied with the means of co-operative credit. To answer this question we shall need to examine the principal functions of the societies,—the matter of loans and of “intermediary” operations.

At the outbreak of the War the loan operations of the coöperative societies were already running in the hundreds of millions, and the societies had worked out a more or less definite policy with regard to them. Our main interest here is to consider the purposes for which loans were being granted to the members.

The Board of Small Credit had always insisted that each loan must be for a specific object, granted primarily for productive purposes. It was rather difficult to enforce this rule fully under Russian conditions. The government officials were inclined to interpret the term “productive loan” too literally, forgetting that in agriculture an occasional consumer’s loan tides a peasant over the waiting period, forestalls hasty selling or a resort to the village loan-shark. Subject to this limitation, the data of the Board of Small Credit with reference to the purposes for which loans were granted are nevertheless of considerable interest. In the following table the classification of loans by their objects is computed in percentages for the nine-year period, 1905-1913, and for the year 1914.<sup>19</sup>

(*The Problem of Government Financing of Coöperation*), in *Ocherki po kooperatsii* (*Essays on Coöperation*), 3d edition, Poltava, 1918, pp. 267 *sqq.*

The criticism of the policy of government loans given in the text does not imply, of course, that the State Banks and the savings banks should have refrained altogether from opening credits to coöperative organizations. But this crediting is a much more delicate and complex instrument than the Board of Small Credit ever thought. The opening of so-called “insurance” credits, to provide for such contingencies as a sudden withdrawal of deposits or an unexpectedly heavy demand for loans, would have had the most wholesome effect upon the operations of the societies. Furthermore, more real and better results would have been obtained if the State Bank, instead of financing local associations, had opened credits to unions of coöperatives and to central institutions of coöperative credit, which had already been growing at that time.

<sup>19</sup> Data of the reports of the Board of Small Credit.



<i>Objects:</i>	<i>1904</i>	<i>Median for 1905-1913</i>	<i>Geometric mean for 1905-1913 (percentage)</i>	<i>1914</i>
1. Extension of farming: purchase or renting of land, hire of labor	26.7	27.2	27.7	29.1
2. Farm improvements: land, fertilizer, tools, machines, seeds	9.9	9.5	9.5	10
3. Equipment: (a) buildings	8.2	10.3	10.3	11.2
(b) live stock and fodder	22.5	23	23.3	23.4
4. Home-craft industries: purchase of tools and materials	9.3	6.6	6.8	6.6
5. Consumption credit: personal expenses	5.9	6.3	7.1	5.1
6. Miscellaneous	17.5	14.7	14.8	14.6
<b>Total</b>	<b>100</b>	<b>—</b>	<b>—</b>	<b>100</b>

This table is very instructive. It shows, first of all, that the proportional distribution of the loans by their objects or economic requirements remained remarkably constant in the pre-war period, the data for 1914 differing very little from the medians for the preceding nine-year period. The table further shows that the borrowers were concerned above all with the equipment of their holdings and the acquisition of live stock, and that next in order of importance came the extension of the area of cultivation. These two groups of requirements absorbed 60 per cent of the total loans. Improvements in the methods of farming, that is, the introduction of more intensive methods, ranked next in order. The rural trades (*kustar*) and their requirements held a very subordinate place, while loans for consumption purposes were likewise of slight importance. The main purpose of the loans was therefore economic in character, the supply of productive capital for agricultural purposes.<sup>20</sup> As extensive cultivation was predominant in Russia, it is not at all surprising that the peasants should have availed themselves of coöperative credit pri-

<sup>20</sup> In Russia, as in other countries, it was one of the aims of coöperative credit to free the rural population from dependence on private usurers. Loans granted for the purpose of paying off private debts did not in any year since the beginning of the century exceed 4.7 per cent of the total loans, which was

marily to increase the area under cultivation, and that they should have only gradually come to utilize it for the introduction of more intensive methods.

While it is impossible to gauge with precision the part played by the coöperatives in the increased production of grains and roots, which was the outstanding fact of Russia's economic progress in the twentieth century, or in the resulting general progress of the rural population, there can hardly be any doubt that coöperation in general, and coöperative credit in particular, was one of the factors that contributed materially to that progress. The few hundred million rubles which the credit societies had at their disposal were, of course, by far insufficient to meet fully the capital requirements of small farming, but they were well established, with splendid prospects opening before them. The marked decrease of loan transactions beginning with 1916 is therefore a definite indication of the impairment of economic conditions as a result of the War, of the disorganization of transportation, and of the unreasonable policy of government regulation.

Loans granted by coöperative societies were, as a rule, very small in amount. The model by-laws of 1905 fixed the maximum amount of a non-secured loan at 300 rubles, and that of a loan on collateral at 1,000 rubles. In practice, the average amount never reached that limit. On January 1, 1914, the average indebtedness of a borrower amounted to 147 rubles in the loan and savings associations and to only 62 rubles in the credit associations.<sup>21</sup> In only about one-fifth of the loan and savings associations did the average amount of outstanding loans exceed 200 rubles, while credit associations which granted loans of such amount were the exception. Gradually, as the number of societies was growing and their activities expanding, the size of the loans also increased. The governing boards of the societies were cautious in granting loans, and the borrowers themselves probably did not care in most instances to assume the burden of a debt unless they actually could not help doing so.

the proportion attained in 1906. After that year the proportion gradually declined until it reached 2.3 per cent. The need of credits for this purpose, at least among the members of coöperative societies, was evidently less acute in Russia than in other countries at the corresponding stage of the development of coöperative credit.

<sup>21</sup> M. Kheisin, in *Vestnik Kooperatsii*, No. 6, 1916, pp. 68-69.

As regards maturities, the law of 1904 provided for short-term loans payable within one year, and also for long-term loans for certain specified purposes, namely, for equipment and the acquisition of live stock up to three years; and for farm improvements up to five years. In practice, short-term credit predominated, with a definite tendency however toward the development of loans for longer terms—a process that was but natural in view of the predominantly long-term character of agricultural operations. At the outbreak of the War, loans of credit associations consisted of long-term advances to the extent of 45 per cent, and of short-term credits to the extent of 55 per cent.<sup>22</sup>

The War brought about a certain derangement in the working of the loan machinery, which was reflected in the considerable increase of overdue loans. The latter amounted to 9 per cent of total loans in the credit associations, in 1915, as compared with 3 per cent in 1912. The situation was even worse in the loan and savings associations, where the proportion of overdue loans increased during the War from 5 per cent to 13 per cent, and later reached as high as 20 per cent. However, while there are no sufficient data to determine the proportion of overdue loans that were uncollectable, it is very probable that this growth of overdue loans was not in any way threatening, and that the credit machinery would have corrected itself with the return of normal economic conditions.

We now come to those activities of the coöperative credit societies which were designated as “intermediary” operations. This official term covered a great variety of functions, which may be grouped under two main headings: the purchase of various articles for the benefit of the members, and the marketing of the members’ products.<sup>23</sup> In spite of the fact that these activities were strongly favored by

<sup>22</sup> M. Kheisin, *loc. cit.* This ratio corresponded, on the whole, with the distribution of the operating funds of the associations by maturities; as we have seen above, the operating funds consisted of long-term liabilities in the shape of deposits running for more than one year to the extent of 41.5 per cent; to this may be added the capital of the associations, both owned by them and borrowed.

<sup>23</sup> The official terminology included also among “intermediary” operations such transactions as the leasing of land in common and even the establishment of joint industrial enterprises, such as flour mills, brick yards, etc. Those activities were very infrequent, however, and they were not of great importance.

the Board of Small Credit and actively promoted by the government inspectors, they developed but slowly before the War, and their growth lagged behind that of loan operations and of the turnover of the societies as a whole. The slight relative importance of the "intermediary" operations could be seen from the table of assets. This slow development was not due to a lack of funds, contrary to the assumption commonly made and which was shared by the State Duma when it created, in 1911, a special fund for the financing of those operations. This fund originally amounted to 200,000 rubles, and it was increased to 3,100,000 rubles by January 1, 1917. However, although it is true that applications for loans from this fund were received for an amount of 6,000,000 rubles, it should be observed that the associations had already carried on "intermediary" operations for an aggregate amount of over 86,000,000 rubles, using their general operating funds for this purpose, in spite of the prohibition contained in the model by-laws, and that their balance statements still showed considerable amounts of free funds. Therefore, it was not the lack of funds that accounts for the slow development of "intermediary" operations; the causes were partly psychological, and partly economic, the inadequacy of the technical apparatus of the credit organizations for the performance of trading operations.

Just the same these operations did grow, though slowly. In matter of purchase the principal operation was the acquisition of agricultural machinery and tools, seed, and fertilizer. The following table shows the extent of purchasing operations in the years before the War and immediately following:<sup>24</sup>

	<i>Number of societies carrying on purchasing operations</i>	<i>Amount of purchases</i>	
		<i>Total</i>	<i>Agricultural machines and tools</i>
		<i>(in thousands of rubles)</i>	
1910	1,334	6,601	—
1911	2,042	6,652	—
1912	2,990	14,327	6,346
1913	3,740	22,845	9,638
1914	5,854	35,612	13,094
1915	—	86,502	20,000

<sup>24</sup> For 1911 and 1912 see: *Bulletin des institutions économiques et sociales*, Rome, 1916, Nos. 6 and 7; for 1913, 1914, 1915 see official data of the Board of Small Credit.



The figures of the 1913 reports show that purchases of agricultural machines and tools, seeds, fertilizers, and live stock absorbed almost two-thirds (66.2 per cent) of the total. Their chief function was, therefore, to assist in the improvement of agricultural production. It was previously pointed out, in the discussion of loan operations, how slow the process of agricultural intensification was in Russia. It did take place, however, and the purchasing operations of the coöperative societies undoubtedly made a very useful contribution to that end.

The other phase of "intermediary" operations, the organization of coöperative marketing, developed even more slowly before the War. The aggregate amount of marketing operations fluctuated between 3,000,000 and 4,000,000 rubles a year, and there were in all less than 250 associations at the moment immediately preceding the War engaged in such operations. The War gave a strong impetus to the development of coöperative marketing, while it also changed their objects and their very nature. The change was brought about by two factors: (1) the part of credit coöperatives in the provisioning of the army, and (2) the increasing shortage of consumption articles in the market.

The work of army provisioning greatly expanded coöperative marketing operations. The policy adopted by the central government agencies concerned with the supply services tended, on the whole, to eliminate as far as possible the machinery of private trade and to carry on their operations through the medium of local administrations—zemstvos, municipalities, civic organizations, and co-operatives. This policy could not be followed in a consistent and uniform manner throughout the country, and the practice adopted by the government agents in the various localities showed considerable variations, which were determined by local conditions as well as by the personal views and sympathies of the individual agents. The part assigned to coöperative organizations varied accordingly from one province to another. While some of the government agents, chiefly those recruited among zemstvo leaders, endeavored to work exclusively with the aid of zemstvos and coöperatives, others welcomed any initiative no matter from whom it came; still others availed themselves of the zemstvos, but did not trust the coöperative societies, while some rejected the aid both of zemstvos and of coöperatives and effected their purchases through private agencies only.

As far as local coöperative associations are concerned, a number of factors made it difficult for them to participate in the provisioning of the army to any considerable extent. First of all, it was hard for the government agents to deal directly with widely-scattered individual associations. Furthermore, transactions with the government supply agencies implied a considerable amount of red tape, and waste of time. Payments for supplies delivered were as a rule effected with great delay. And finally, the maximum prices fixed by the Government were always below the general market, and this caused the peasants to assume an attitude of watchful waiting.

Inasmuch as unions of local coöperatives were in most instances in their infancy during the war years, the extent to which the local associations contributed to the supply service was determined largely, in addition to the attitude of the government agents, by that of the zemstvos. Wherever the zemstvos undertook to act as intermediaries between the government agencies and the rural coöperatives, wherever they gave the required guaranties to the supply agents and provided for the storage of grain and for payments to the associations, such arrangements worked smoothly. The work of the zemstvos of the province of Poltava, in the district of Konstantinograd, was particularly efficient in this regard. Notable results were also achieved in some districts of the provinces of Kharkov, Taurida, Kherson, Podolia, partly in Kiev, and also in the provinces north of Moscow, that of Nizhni-Novgorod and others. In 1915 the army supply agencies purchased from coöperative organizations 83,000,000 rubles' worth of grain, or 17 per cent of all grain purchases for the army.

In addition to the sales of grain by the coöperatives, they also contributed to the provisioning of the army to an even greater extent through the practice of advancing loans on the security of grain. This practice had been started by some associations shortly before the War, and the inspectors of small credit actively encouraged it during the War with a view to furthering the supply of grain for the army. Considerable credits were made available for the financing of these operations by the State Bank and by the savings banks, and they were taken advantage of by many associations in the grain districts of central Russia, and in the Southern and Volga regions. Strictly speaking, these operations had little in common with coöperative marketing; however, they led to the construction or renting

of elevators and developed the work of storage, sorting, and grading of grain. In 1913 there were about 500 grain elevators belonging to the credit coöperatives, and their activities in connection with the establishment of elevators chiefly in the vicinity of railway stations or ports, became even more intensive during the War.

In addition to grain, coöperative credit societies were also supplying other articles required by the army, such as boots, uniforms, bags, wooden dishes, hay, lard, cattle, etc.

On the other hand, the growing shortage of goods was the factor that affected both the volume and the nature of coöperative purchasing. An entirely new activity developed in the coöperative credit societies, which now undertook to supply the rural population with articles of consumption and of everyday use. They assumed a function that was entirely foreign to their proper objects, and should have belonged to consumers' societies, when they began to use their general operating funds to purchase sugar, flour, meal, kerosene, tobacco, matches, crockery, footwear, dry goods, selling not only to their members but to the general public as well. A credit coöperative was thus gradually changing itself into a simple country store, with an accidental assortment of goods and an inadequate trading technique. The government inspectors of small credit were decidedly opposed to transactions of this kind and demanded that they be turned over to the consumers' coöperatives. But the latter, especially rural societies, were young, feebly organized, and, above all, they were handicapped by a shortage of funds. Coöperative credit organizations were authorized in 1915 to grant loans to consumers' societies and to other coöperatives, in amounts running up to 1,000 rubles or more to each organization. This was, of course, insufficient as a remedy, and so consumers' operations by credit societies continued to expand.

These operations were a matter of necessity. The War, and more directly the extreme policy of government regulation, brought about a disorganization of transports, a decrease in production, the disappearance of goods from the market, and the dependence of the consumers upon middlemen and profiteers of the worst type. It became extremely difficult to secure goods in the market, even articles of prime necessity; the problem was now to "get hold" of them, and this required a certain skill and an organization. While the town populations were still able to get along in one way or another, the



situation of the rural districts was growing unbearable, and they were eagerly looking for help to the coöperatives, the only organizations that could be of material aid, as they enjoyed the favor of the food supply agencies and other regulatory bodies and were even in a position, through their unions, to exert pressure when necessary.

As time went on, the system of regulation was growing tighter, the general situation was becoming worse, and credit societies were more definitely turning into general stores. After the Revolution of March, 1917, this led to the appearance of a large class of new coöperators, nicknamed "March" members, or "kerosene" members, who rushed either to join the coöperative organizations in existence or to found new ones. The net of organizations of all kinds that called themselves coöperative was rapidly spreading. As to the intrinsic worth of these new arrivals, that is a different matter.

### *The New Legislation.*

The demand for new legislation on coöperative societies was general long before the War. The discontent with the pre-war legislation was caused, first of all, by the fact that it consisted of a number of special provisions for the several types of coöperative organizations and yet contained no general coöperative statute. Of equal importance was the desire to free the organizations of government tutelage and to do away with the necessity of obtaining in each instance a government authorization for the formation of new societies.

The first All-Russian Coöperative Congress, held at Moscow in 1908, appointed a special committee of prominent coöperators and lawyers to draft a new bill on coöperative organizations. The draft of the committee was discussed, amended, and revised at the two succeeding congresses of 1912 and 1913, and finally a special committee edited it and brought about its introduction in the Duma, on February 8, 1915, by 75 members belonging to various parties.

The Ministry of Commerce and Industry was not particularly in favor of the enactment of a general law on coöperation. In fact, it had shortly before drafted a number of special bills regulating the several forms of coöperative organizations separately, and in which the system of preliminary authorizations and of government supervision was maintained, though in a mitigated form. However, taking



into consideration the popularity of the bill among the members of the Duma, the Minister, at the advice of some representatives of the Board of Small Credit, spoke at the Duma in support of the bill, which was passed on March 24, 1916, with a few amendments of a minor nature. But at the State Council the bill met with new and considerable opposition. The committee report, in the preamble, recognized the importance of the coöperative movement, the inadequacy of the existing legislation, and the necessity of substituting the system of preliminary authorizations by a simple procedure of registration with the courts. In its practical conclusions, however, the report contained recommendations which meant a substantial modification of the bill in its fundamental principles. The principal change recommended in the report was an amendment excluding from the provisions of the law a number of coöperative organizations, and not the least important; coöperative credit societies and associations for joint purchasing and exploitation of land were among the organizations that were not to be covered by the law. The enactment of provisions of this kind would have meant the destruction of the principle of unity of coöperative legislation, which was the very foundation of the bill as drafted by the coöperative congresses, and it would have led to the maintenance, to a certain extent at least, of the system of surveillance and tutelage. The same tendency was underlying another amendment recommended in the report, namely, that which provided that the by-laws of the new societies be filed with the general administrative agencies instead of with the district courts.

At the time the State Council was abolished, following upon the Revolution of March, 1917, the bill and the committee report had not come up for discussion before it. On March 20, 1917, shortly after the abdication of the Emperor, the Provisional Government promptly enacted by decree the Law on Coöperative Societies and their Unions, which embodied the text approved by the Duma in the preceding year with a few insignificant additions. The law became effective on May 1, 1917.

This law of 1917 is one of the most remarkable legislative documents in the field of coöperation. It is the latest law on coöperation of all those in force in European countries, and it is perhaps the most complete and precise in its scope and in its legal wording. The following are the main principles embodied in the law:

1. It does away entirely with administrative tutelage and government supervision over the activities of coöperative organizations and entrusts the functions of supervision to coöperative agencies.

2. It does away with the system of preliminary authorization and provides instead for the constitution of societies by the mere act of filing their by-laws.

3. It embraces all forms of coöperative organization, and it thus serves as a general law on coöperation.

4. It provides for the complete freedom to constitute unions of co-operative societies of all types.

5. It recognizes both charter organizations and contract organizations, with the only limitation that the latter have not the rights of a corporate body.

6. It provides that coöperative organizations may, in addition to their economic functions, attend also to the cultural needs of their members.

The law defines a coöperative society as "an association with a changing membership and capital, which operates as a distinctly designated concern and has for its object to promote the material and moral welfare of its members by the means of a joint organization of various economic enterprises or of the labor of its members."

Any group of not less than seven persons enjoying their civil rights was given the right to constitute a coöperative organization without applying to anybody for a preliminary authorization. All that was required was that they sign a contract, or, if they desired to obtain the rights of a corporate body, that they draft by-laws and file them with the district court. The only requirement with regard to the by-laws was that they must not contain any unlawful provisions. The same method was provided for the creation of unions of coöperatives, which were allowed to be formed by agreement of not less than three local coöperative societies.

While the law thus conferred upon coöperative organizations the fullest freedom of organization and of internal self-government, it contained also numerous provisions designed to protect the rights of the membership as well as the interests of third parties. A dual system of auditing was provided for—by an auditing committee of each organization, on the one hand, and by the coöperative union, on the other, which was apparently a sufficient safeguard. No adequate provision was made for the auditing of the affairs of such associations

as did not affiliate with a union or of the operations of the unions themselves, or for the methods of enforcing the liability of officers of coöperative organizations for acts contrary to the law or harmful to the interests of the organization. The members of the committee which drafted the bill were aware of these gaps, which were not bridged, however, because of the haste which was deemed necessary in introducing the bill in the legislative bodies.

The law of 1917 remained in force too short a time for it fully to show its effects and to demonstrate its merits or defects in practice. Its principal effects were with reference to the unions of coöperatives. A change in administrative practice with regard to the unions had taken place already in 1915. Owing to the necessities of war, the restrictions were relaxed, and authorizations for the creation of new unions began to be granted much more readily than before. With the enactment of the law of 1917 all chains fell off, and coöperative unions were established wholesale. On the other hand the growth of local associations during 1917 was the smallest in any year in a decade; it is even difficult to establish with accuracy the exact number of new local societies formed after the Revolution.

The year 1918 was one of political and territorial disintegration of Russia. In the extreme confusion of political life and of legislative enactments, the development of coöperative credit societies very naturally differed from one region to another. The law of 1917 remained in force in all territories where anti-Bolshevik governments had been set up. In the territories under Bolshevik rule the decrees of the new authority affected at first consumers' coöperatives only; the legal status of credit coöperatives remained indefinite, and no new decrees were enacted for some time to regulate them. On the other hand, neither could the law of 1917 be enforced, as there was no authority with whom the organizations could be registered, owing to the abolition of the district courts.

There is no doubt that a certain number of new associations were formed in 1918. It is certain also that many of the newly formed organizations were the product of a division of the old ones, with a diminished area of activity, a process for which every facility was afforded by the law of 1917. But nobody was in a position to ascertain how the increase in numbers was accomplished or what was its precise extent, since there was no general center of registration, and the methods of registration in the several localities were deficient to the

extreme. Furthermore, when new associations were formed through the subdivision of old ones, duplication was unavoidable in all estimates.

The old organizations were granted, under the law of 1917, a delay of two years within which they were required to file their by-laws under the new provisions. Political events made this filing a cumbersome undertaking, and as a result the overwhelming majority of credit societies maintained their old "model" by-laws and continued to function as before the Revolution.



## CHAPTER III

### COÖPERATIVE CREDIT UNIONS

#### *Pre-war Development.*

THE most important special functions of unions of coöperative credit societies are briefly as follows: (1) They regulate the movement of money and of credit between the local associations with a view to maintaining an equilibrium between the demand and the supply of loanable funds; (2) they draw on funds in the general money market and make them available for coöperative credit; (3) they maintain the interest rate at a low and steady level; (4) they provide for the regular and systematic auditing of the operations and accounts of the member associations, wherever this function has not been entrusted to a special auditing union; and (5) they extend the system of coöperative credit by promoting the foundation of new associations.

The need of all these activities of federations usually asserted itself in the early stages of the coöperative movement. It was keenly felt in Russia from the beginning of the twentieth century, when the local societies were numbered in thousands and their operating funds measured in tens of millions of rubles. Free funds became a permanent element in the balance sheets of the credit coöperatives. They formed nearly 12 per cent of the assets of the loan and savings associations, and even the credit associations began to accumulate surpluses. The ground was thus prepared for an exchange of funds within the coöperative movement itself. But there was no appropriate machinery for such dealings, and the free funds remained inactive, while the need of funds was increasing every day and every month. The free funds were often not utilized advantageously outside the coöperative movement either, and so they remained as a dead weight in the balances of the societies. There could be no question of maintaining an equilibrium between the supply and the demand of funds, and it often happened that within the same district or province some associations could not meet their need of funds even halfway, while others were depositing their funds in the savings banks or investing them in securities. Nor were the associations able, in their isolated condition, to obtain accommodations from the general money market,

except to a limited extent. The growth of deposits was confined to the rural population and within the limits of a definite narrow area. No deposits could be obtained from the urban population, or even from small towns, and the only outside funds that were drawn into the channels of coöperative credit were those loaned by the State Bank and, later, by the savings banks.

Under such circumstances it could hardly be expected that the interest rate would be lowered, even to the level of that found in commercial banks. As a general rule, the rate of interest was maintained at the full legal limit of 12 per cent per annum. Only the old loan and savings associations, with a firmly established turnover, charged a rate of 10 per cent, and a rate of 9 per cent was altogether exceptional; whereas the rate in the general money market did not go above 6 or 6½ per cent in normal times. In other words, coöperative credit was twice as expensive as that from private sources. It is true that in spite of these high rates, the rural population was eager to take advantage of coöperative credit and regarded it as a boon in comparison with the entire absence of credit or with dependence upon usurers. But this condition of inequality as between urban commerce and trade and the farming communities was bound to be detrimental to the interests of agriculture, and the national economy as a whole, especially when it is remembered that Russian agriculture was neglected in the system of national protection generally and that the prices of agricultural products were artificially depressed under the commercial treaties with Germany.

The need of auditing agencies was likewise strong. The most elementary notions of assets, liabilities, or a balance, were strange to the peasants. The banking operations of the coöperative associations, simple as they were, still required a clear understanding and an ability to keep accounts and to make entries in the books, which could not be acquired at once and demanded a certain training. The importance of this factor can be seen from the fact that in the earliest period of the development of coöperative credit almost all associations then in operation voluntarily submitted their balance statements and accounts to the Committee on Rural Associations of the Moscow Agricultural Society, which played for a long time an important part as an all-Russian auditing agency. This, however, was only possible as long as the number of associations remained small, and even then the performance of the auditing function by one cen-

tral agency implied many inconveniences and shortcomings. In Germany, with its dense population, the auditing is done by local, provincial auditing unions. A similar organization was even more necessary in Russia, with its scattered population and enormous distances.

Finally, the founding of new associations, the determining of their territorial jurisdiction, assistance in the preparation and enactment of their by-laws and regulations, the training of an accounting personnel, the assistance in the early stages of their work with a view to a rational organization of their transactions and accounting, and the supplying of newly created societies with working capital, were functions that had to be assumed by coöperative unions.

The first two unions of coöperative credit societies in Russia were founded in the Crimea, in 1902 and 1903, respectively. As the right to form unions had not been legally granted to coöperatives at that time, the by-laws of those two unions were approved by a simple administrative order of the Minister of Finance, the then all-powerful Witte. Moreover, the powers of those unions were greatly restricted, as they were not given the right to accept deposits or to grant loans.

The right to form unions was recognized by the coöperative law of 1904. But while recognition was thus granted in principle, this meant little change in actual practice. The law directed the Minister of Finance to draft regulations on the founding of unions jointly with the Ministers of the Interior, of Justice, and of War, and to submit them for approval. Until the time when such regulations had been drafted and approved, a very complicated procedure was provided. In order that a union of coöperatives might be constituted, there was required, in every instance, first, a report of the Minister of Finance; second, a resolution of the Committee of Ministers; and, finally, approval by the Emperor. Under the most favorable circumstances, such a procedure was bound to delay action on every application for a very long time. In the meantime, the Minister of Finance was in no hurry to draft the regulations as provided by the law. The newly created Board of Small Credit, though approaching the problem with great caution, was willing, on the whole, to permit unions to be organized, under its own supervision of course. The obstacles encountered in the way of a practical solution came chiefly from the Ministry of the Interior, whose opposition was entirely dictated by political considerations. The results of this policy were the opposite of those intended, as it led to the growth of a revolutionary spirit



within the coöperative movement. So restrictive was the law of 1904 that it was not until 1907 that the next group of three unions were authorized,—in Kiev, Blagodarnoe, and Ekaterinburg, respectively. No action was then taken on any application until 1911. The Kuban Union waited six years for the approval of its by-laws; that of Nizhni-Novgorod, four years.<sup>1</sup>

In 1911 the administrative procedure in connection with the approval of the by-laws of unions was simplified, and they were authorized to accept deposits and to carry on loan operations. But delays and administrative interference continued, and as a result only 13 unions had begun operations before 1914.<sup>2</sup> The interference came chiefly from the Ministry of the Interior. On the other hand, the Board of Small Credit, whose members were perfectly aware of the importance of federations in the coöperative system, attempted to solve the problem by forcing the coöperative movement to accept various substitutes:—the government inspectors, for the function of auditing and for aid in establishing new organizations; the branch offices of the State Bank, as agencies drawing funds from the general money market; the zemstvo funds of small credit, for the regulation of the movement of money and of credit between coöperative societies, and so on. As an illustration of the attitude of the Board of Small Credit toward coöperative unions it may be mentioned that in 1912 it ruled against granting union auditors the right to attend the general membership meeting of the affiliated societies, and that this

<sup>1</sup> "These delays naturally interfered with the growth of unions. The Kuban Union, for instance, included 22 societies when it first applied for the approval of its by-laws. By the time, however, when the by-laws were returned from Petrograd, in 1911, i.e., six years later, accompanied by all required sanctions, only 9 associations joined the new Union. The remaining 13 societies had in the meantime either joined other unions, or had lost all desire to enter a combination." *Bulletin des institutions économiques et sociales*, November, 1914, p. 43.

<sup>2</sup> The need of combinations was met in a roundabout way and a very imperfect one. A number of old associations took advantage of their right to admit to membership corporate bodies as well as physical persons, and they admitted other associations as members and began, on a very limited scale, of course, to perform in their behalf the functions of unions. In 1912 there were about 700 associations which were carrying on such functions in behalf of some 2,400 other societies, which were affiliated with them as members. By January 1, 1914, the number of associations combined in this manner had grown to 5,500, which was over 40 per cent of all societies in existence.



ruling was again confirmed in 1914 by a decision of the Board to the effect that the only experts whom the local associations were authorized to invite to their general meetings were agronomists in the service of the Government or of the zemstvos.

The first unions that were established before the War developed their activities successfully, on the whole, though on a rather modest scale. One-half of their number embraced in their jurisdiction the territory of a province, and in some instances such provincial unions were joined by individual associations from adjoining provinces, owing to the difficulty of establishing new unions. The remaining unions usually covered the territory of a district.

In the brief period of their existence prior to the War, the unions could hardly be expected to enlist in their membership all, or even a majority of the associations of their respective districts, and as a matter of fact there was not a single union in 1913 which included as many as one-half of the associations of its district, as may be seen from the following table:

<i>Name of union</i>	<i>Number of member societies</i>		<i>Total number of societies in district</i>	<i>Ratio of affilia- tion in 1913</i>
	<i>At time of or- ganization</i>	<i>On June 1, 1913</i>		
1. Kiev	4	91	252	36.1
2. Kuban	9	82	246	33.3
3. Nizhni-Novgorod	13	61	196	31.1
4. Ekaterinburg	16	58	374	15.5
5. Ekaterinoslav	13	40	233	17.1
6. Terek	33	33	94	35.1
7. Melitopol	5	26	150	17.3
8. Blagodarnoe	9	24	51	36.1
9. Berdyansk	4	23	150	15.3
Total	106	438	1,746	25

The associations which affiliated with the unions were those having the largest turnover. Thus, for instance, in the Kuban Union the assets of a member society were, on the average, 1.5 times larger than the average for all associations in the region; in the Kiev Union they were twice as large; in that of Melitopol, 2.16 times larger than the average for all societies of the district. This was not due, as it was sometimes contended, to the high entrance fees and annual contributions charged by the unions,<sup>3</sup> since the entrance fees ranged from 25

<sup>3</sup> *Bulletin des institutions économiques et sociales*, 1914, No. 11.

to 100 rubles only, and the annual contribution, from 10 copecks to 1 ruble per individual member. The real cause was that a society with a larger amount of transactions naturally had a greater need of opportunities both to place its free funds when they accumulated, usually in the autumn, and to make good its shortages of funds when there was a growing demand for loans, which happened as a rule in the spring.

In the beginning of 1913 the activities of the then existing unions were still on a very modest scale. Only one union, that of Kiev, had assets amounting to 1,200,000 rubles; the total exceeded but 200,000 rubles in three unions; it amounted to 143,000 rubles in the oldest union, that of Berdyansk, and was under 100,000 rubles in the remaining societies, which was less than the assets of a loan and savings association of medium size.

Deposits formed an important part of the liabilities in the majority of the unions: about one-half in that of Melitopol, nearly two-thirds in that of Berdyansk, and almost three-fourths in that of Kiev. Notwithstanding their recent origin, the unions, especially those established in trading centers of some importance, had succeeded in enlisting a clientele of depositors. Not even one-tenth of the deposits came from the members, who figured rather as applicants for loans. The great majority of depositors were private persons and organizations not connected with the coöperative movement. It was the city depositor that supplied the funds. It is true that in order to attract deposits, the unions had to pay a higher rate, which fluctuated between 4.5 and 7.5 per cent, and attained as high as 9 per cent in the Nizhni-Novgorod Union. Yet the fact remained that a source of new funds for coöperative transactions had been discovered, and one that promised to grow under normal conditions.

### *The Unions in War-Time.*

From the beginning, the transactions of the unions, as reflected in their assets and liabilities, were rapidly growing, which was a proof of their vitality and actual importance. This growth continued after the outbreak of the War. The progress of the more important unions of pre-war origin during the first war years may be illustrated by the following table:<sup>4</sup>

<sup>4</sup> *Vestnik Melkago Kredita*, 1916, No. 44, p. 1812. The figures are taken from official sources.

*Aggregate Assets of the Ten Largest Pre-War Unions.*

	(in thousands of rubles)	Ratio of increase
January 1, 1913	2,274	100
January 1, 1914	4,670	205
January 1, 1915	7,647	340
January 1, 1916	12,108	535
April 1, 1916	15,339	670
July 1, 1916	21,070	920

The liabilities on January 1 and on July 1, 1916, were constituted as follows:

	<i>Amounts</i>		<i>Proportion of total</i>	
	<i>January 1, 1916</i>	<i>July 1, 1916</i>	<i>January 1, 1916</i>	<i>July 1, 1916</i>
	<i>(in thousands of rubles)</i>			
Share Capital	1,298	1,417	10.7	6.7
Deposits	7,407	13,574	61.2	64.6
Borrowed funds, etc.	3,403		28.1	
Borrowed funds		881.5		4.2
Other items		5,197.5		24.5
Total	12,108	21,070.0	100	100

The structure of the liabilities of these old unions was thus normal, and no serious disturbance had been caused by war conditions either. Capital and deposits formed the bulk of the resources, while borrowing was resorted to to a very insignificant extent only. It was not before the middle of 1916 that the ratio of capital to total liabilities went somewhat below the normal of 10 per cent. We shall presently see that, in this regard, the newly created unions also presented a normal condition.

The War brought about a sudden change in the attitude of the Government toward coöperative unions. In April, 1915, the Council of Ministers approved at once the by-laws of seventeen new unions. Following upon this, much of the red tape that had formerly been connected with the approval of by-laws was cut out, and on July 1, 1916, the number of unions stood at 84. The growth of the number of credit unions to that date proceeded as follows:

	<i>Total number of authorized unions</i>
January 1, 1915	11
July 1, 1915	28
January 1, 1916	62
July 1, 1916	84

The largest number of unions were found in the following regions:<sup>5</sup>

<i>Region</i>	<i>Number of unions</i>
1. Southern	15
2. Industrial	12
3. Eastern	11
4. Ukraine	10
5. Central Agricultural	10
6. Siberia	7
7. Ural	6

Only 13 unions had been founded in all other regions combined. On October 1, 1917, the number of unions in existence had reached 140, according to the figures of the Board of All-Russian Coöperative Congresses.<sup>6</sup> It is difficult to determine with precision how many of the unions that had been founded were in actual operation. According to the official data of the Board of Small Credit, only 59 unions of the total of 84 authorized were in actual operation in the middle of 1916.<sup>7</sup> The figures, however, prove beyond doubt the existence of a strong trend toward combination among those connected with the coöperative movement, especially in rural sections.

It was the War that particularly contributed to strengthen this tendency. Powerful patriotic motives prompted coöperators to come more closely together and to combine their efforts for the service of the country, for the assistance of the families of mobilized members of their associations and of their communities at large, and for participation in the provision of supplies for the army. A further motive was supplied later by the crisis of supplies in the general market. It was but natural that coöperative societies should look for a solution of the difficult problems of those days to a broader application of the principle of coöperation on which they were based.

We give below the latest official data available on unions of co-operative credit societies on July 1, 1916. The table shows separately the aggregate balance sheets of 10 old unions established be-

<sup>5</sup> S. Zarudny, *Novie Soyuzi (The New Unions)*, in *Vestnik Melkago Kredita*, 1916, No. 30, pp. 1205 sqq.

<sup>6</sup> *Vestnik Melkago Kredita*, 1916, No. 44, pp. 1812 sqq.

<sup>7</sup> Dr. K. Gregr, *Ruské druževnictví až do roku 1919 (Russian Coöperative Societies to 1919)*, Prague, 1920, p. 16.



fore January 1, 1915, and those of 42 unions founded after that date.<sup>8</sup>

*Aggregate Assets and Liabilities of 52 Unions of Credit  
Associations and Loan and Savings Associa-  
tions, as of July 1, 1916.*

	<i>Aggregate amount for 10 unions which func- tioned before January 1, 1915</i>	<i>Aggregate amount for 42 unions which began operations after January 1, 1915</i>
<i>(in thousands of rubles)</i>		
<i>Liabilities:</i>		
Capital stock	1,417.3	1,544.8
Special funds	252.1	536.8
Deposits and current accounts	13,573.6	13,201.2
Borrowed funds and rediscounts	881.5	1,747.6
Merchandise account	484.9	150.2
"Intermediary" operations	527.7	2,863.4
Sums in transit and corre- spondents	3,384.7	1,152.1
Interest and profits	548.7	458.8
	<hr/>	<hr/>
Total	21,070.5	21,654.9
<i>Assets:</i>		
Deposited with banks	7,023.4	7,009.8
Securities	575.4	422.9
Loans	5,852.0	2,957.7
Merchandise account	454.9	578.2
Merchandise on hand	1,359.8	3,173.6
Plant and equipment	543.8	439.4
Various advances and corre- spondents	4,825.1	5,818.8
Expenses and losses	307.7	500.7
Cash on hand	128.4	753.0
	<hr/>	<hr/>
Total	21,070.5	21,654.9

The aggregate totals for all 52 unions amounted to 42,700,000 rubles.

The proportional distribution of the several assets was as follows:

<sup>8</sup> The first group includes the following unions: Kiev, Kuban, Ekaterinburg, Terek, Melitopol, Nizhni-Novgorod, Ekaterinoslav, Zlatoust, Stavropol, and Berdyansk. The balance statements are published in the *Vestnik Melkago Kredita*, 1916, No. 32, pp. 1270-1271; No. 44, pp. 1814-1815.

	<i>10 old unions</i>	<i>42 new unions</i>
	<i>(percentages of total assets)</i>	
Deposited and invested in securities	36.6	34.4
Loans	27.8	13.6
Various advances and due from correspondents	22.9	26.9
Merchandise on hand	6.4	14.6
Other assets	6.3	10.5
	<hr/> 100	<hr/> 100

The structure of assets as shown above cannot be regarded as normal. It clearly shows the effects, on the one hand, of the immaturity of the established unions, of deficient organization, and of loose connection between the unions and the local associations of their respective districts, and, on the other hand, of the war-time conditions and of the derangement of the regular movement of credit and of goods.

A characteristic feature, not only of the old unions, but of those of recent origin as well, is the excessive accumulation of free funds. While the total assets are rather moderate, as absolute amounts, the free funds form, in the aggregate, over one-third of the total. Loans, on the contrary, which should have held under normal conditions the first place among the assets, had become a secondary operation, absorbing only about one-fourth of the resources in the old unions, and about one-sixth in the new ones. That means that the governing boards of the unions were in no position or did not know how to handle the large deposits that poured in during the War, or to utilize them within the coöperative system in accordance with their own principal object. They were also unable to perform the task of distributing the available working capital between the individual associations and of aiding them to place their free funds. The unions poured their free funds into the general money market, as they accumulated, in the shape of current accounts opened in private joint-stock commercial banks, with the result that the funds were withdrawn from coöperative channels.

Another departure from the normal structure of assets is the appearance of the rather vague item, "various advances." This term covered chiefly advances made to members of the governing boards and to various agents of the unions, and also cash deposits paid to contractors. This item formed over one-fifth of the assets in the old unions, and over one-fourth in the new. This reflected a departure in

the activity of the unions, which was caused by war conditions. The unions were affected by the same factors which we saw at work in the individual associations, but to a much greater extent.

Unions of coöperatives, wherever they existed, were in a much better position than the scattered local societies to contribute to the provisioning of the army. And thus, wherever the assent of the government supply agents was obtained, the unions, and especially those of credit coöperatives, eagerly undertook to procure food, forage, and clothing for the army. Thus, for instance, the Kiev Union of coöperative credit societies, as early as the autumn of 1914, contracted to supply to the Army Supply Department 400,000 puds<sup>9</sup> of rye, 50,000 puds of rye flour, 100,000 puds each of wheat and of millet, 300,000 puds of oats, and 15,000 puds of compressed hay.<sup>10</sup> That union continued its activities in this field in the succeeding years as well. In the rich hay regions of Northern Caucasus, the unions of Kuban and of Stavropol were active providing compressed hay for the army. The Union of Nizhni-Novgorod supplied knitted goods and winter coats. Grain, flour, and meal were supplied by nearly all unions of the grain districts and, in particular, by those of Melitopol, Odessa, Voronezh, Kharkov, and Ekaterinburg.

In addition to contracts made directly by the unions, the latter encouraged the individual associations in their respective districts to enter this field, and helped them organize the work. Thus, in 1915, 17 individual credit associations under the jurisdiction of the Ekaterinburg Union supplied 374,000 puds of oats, in addition to the Union's own contract for 180,000 puds; private traders in that district supplied 1,216,000 puds, so that the share of coöperative organizations amounted to 23 per cent of the total.<sup>11</sup>

The inevitable delay in government payments, and the disbursements required for the provision of packing materials, the renting of stores, and cash payments on certain amounts of grain, necessitated the advancing of certain sums of money, which showed a tendency to increase as the army supply activities were expanding.

<sup>9</sup> One ton = 62 puds.

<sup>10</sup> It may not be without interest to note the contract prices, which were as follows: rye, 85 copecks a pud; wheat, 95 copecks; oats, 80 copecks; hay, 45 copecks; rye flour, 1 ruble; millet, 1.25 ruble. See *Vestnik Melkago Kredita*, 1914, No. 33, p. 1276.

<sup>11</sup> *Vestnik Melkago Kredita*, 1915, No. 18, pp. 710-712. The same associations also supplied footwear and other articles.

The unions were confronted with the growing scarcity of such articles as textile fabrics, footwear, kerosene, candles, etc., in the rural communities. And in addition to this shortage, which was to a great extent artificial, there was an actual one of agricultural machines and tools, the imports of which were hampered and restricted by the War. This injured materially the rural districts, where the people were in no position, in spite of a comparative abundance of money, to satisfy their customary needs. At the same time, the shortage of labor due to the successive mobilizations made a greater use of machines in agriculture imperative, while the deficiency of farm implements asserted itself even more powerfully.

The unions of credit coöperatives were thus compelled, on the one hand, to assume the task of supplying their members, as well as the population at large, with articles of consumption. As a result, a considerable proportion of their working capital came to be used for purposes other than those for which it was designed, and with little productivity, in spite of the good intentions of the unions. As the transactions were by necessity on a small scale, the unions placed themselves in the position of small wholesale jobbers, covering the territory of a district or, at the most, of a province, operating for their own account at a great risk and with a very superficial familiarity with the special requirements of trade of this kind. On the other hand, the shortage of agricultural machines and tools compelled the unions to start a feverish hunt for them, to purchase in advance considerable stocks at the few plants that were producing them in Russia, to utilize the "cottage" production of winnowing machines and threshing machines, and even to make desperate attempts at getting in direct touch with foreign markets. Finally, toward the end of the War, there appeared in the coöperative organizations a tendency to organize for their own account the production of agricultural implements and of some consumption articles.

This brief survey of the condition and of the work of the credit unions permits a few definite conclusions to be drawn. The outbreak of the War found these unions in the first stage of their development, the essential characteristics of their organization and functioning still undetermined, still tentative. Even under conditions of peace and normal economic development they would have been in no position as yet to carry on their most important business functions. Now



they were suddenly confronted, in a time of war, with a large number of difficult and complicated problems, which they endeavored to solve with much enthusiasm, at the cost of tremendous efforts, but naturally without great success. It was difficult under the circumstances to give sufficient attention to such matters as the improvement of the machinery for the transfer of funds between organizations, or the lowering and stabilization of the interest rate. One of the activities that suffered greatly was the auditing of the accounts of the organizations, which should have been one of the principal functions of the unions. The Kiev Union was the only one to take up effectively the matter of auditing and to set up adequate machinery for this purpose. In other unions auditing was done in a more or less casual manner, and there were years when even such large unions as those of Kuban, Terek, or Ekaterinoslav, did not audit a single member organization.<sup>12</sup>

In the middle of 1916 all unions of credit coöperatives had a combined membership of 2,813 associations,<sup>13</sup> or only 18 per cent of the total number of associations in existence. The aggregate assets of all unions of 42,000,000 rubles was only about 4 per cent of the aggregate assets of all credit associations and loan and savings associations. It is thus clear that whether we consider the number of unions or the effectiveness of their apparatus, they had not yet because of their youth attained such a point as to be in a position to exert a substantial influence on the volume, the direction, or the intensity of the coöperative credit system. It is difficult to speculate as to the possible development of the credit unions under more favorable political conditions than pre-war autocracy in Russia. The fact remains that in actual practice the work that would have ordinarily fallen to these district and provincial credit unions (organizations of the "second order") has been performed by the special banking institutions attached to the zemstvos, known as the zemstvo funds of small credit.

#### *Zemstvo Funds of Small Credit.*

This type of organization was legalized by the Act of 1904. The model by-laws of organization was approved in June, 1906, and on January 1, 1907, the first zemstvo fund began its operations in the district zemstvo of Khotin, Bessarabia. The new legislation was a

<sup>12</sup> *Vestnik Melkago Kredita*, 1914, No. 25, pp. 1003 sqq.

<sup>13</sup> *Ibid.*, 1916, No. 44, pp. 1814-1815.

sign of a revival of interest in rural credit among the zemstvos, partly inspired by a certain spirit of opposition against government supervision of coöperative credit. The idea became popular with a number of zemstvos of gradually substituting the zemstvo credit banks for the government as agencies of guidance and supervision of the coöperative organizations; they hoped that the Government would finance them out of the State budget reserving to itself the right to supervise their acts, to assure compliance with the law. In addition, the program which was set forth at several zemstvo conferences, in the years 1909 to 1911, favored the building up of a system of long-term credit extended primarily to coöperatives, and not to individuals.

The practice of the zemstvo funds, however, was quite different from those resolutions. The Board of Small Credit was not in the least desirous to turn over its functions or its powers to the zemstvos; it regarded the zemstvo funds simply as substitutes for coöperative credit unions so distrusted in government quarters. Government moneys designed for the promotion of coöperative credit were advanced to the zemstvo funds merely as loans, and in moderate amounts too, with the result that loans to individuals remained an integral part of their operations, short-term credits in the main; nor could this be otherwise considering the nature of the working capital which the zemstvo funds had at their disposal. As their activities expanded, their tendency was to build up the financing of agricultural coöperation and of coöperative purchase instead of advancing loans to credit coöperatives. The zemstvo funds never played an important part as substitutes for credit unions; they were never able to organize coöperative auditing on any large scale, and this function continued to be carried on by the government inspectors down to the time of the Revolution.

The following table shows the growth of the zemstvo funds before and during the War:<sup>14</sup>

<sup>14</sup> Board of Small Credit, *Otchet po melkomu kreditu za 1910 i 1911 gg., s glavneishimi dannimi za 1912 god* (Report for the Years 1910 and 1911 and the Principal Data for 1912), Petrograd, 1914, p. 49. Data for January 1, 1916, from *Vestnik Melkogo Kredita*, 1916, No. 43, p. 1775.

	<i>Number of zemstvo</i>	<i>Total</i>	<i>Operating funds</i>		
			<i>Owued funds (in thousands of rubles)</i>	<i>Funds from local sources</i>	<i>Funds from government sources</i>
January 1, 1908	15	712	141	444	127
January 1, 1911	79	14,992	3,526	10,607	859
January 1, 1912	113	28,034	5,138	21,406	1,489
January 1, 1913	158	45,146	7,886	33,299	3,961
January 1, 1916	247	110,400	16,900	86,900	6,600

These figures show a rapid growth. Ten years after the founding of the first fund, over 40 per cent of the provincial and district zemstvos had established credit funds. In five years, 1911 to 1916, the working funds had increased 7.3 times, and the item that showed the largest increase of 8.2 times was the funds obtained from local sources, that is, chiefly deposits and current accounts. Borrowings from government sources increased 7.6 times, and the owned capital increased almost fivefold.

There were considerable differences between individual zemstvo funds with regard to the amount of their working capital, or, which amounts to the same, the volume of their work. These differences were determined by the area covered by a given fund, the energy displayed by its leaders in taking advantage of government credits, by their ability to organize the work and to draw upon the savings of the local population. The eight largest zemstvo funds, each covering the area of a province, had, on January 1, 1916, combined assets of 29,300,000 rubles, which was over one-fourth of the aggregate assets of all zemstvo funds then in existence. Over three-fourths (186) of all zemstvo funds were small institutions, with a working fund of less than 500,000 rubles, that is, less than the assets of a rural credit coöperative of the usual type. Clearly, these funds were evidently in no position to play a serious part as organizations of the "second order," as ultimate substitutes for coöperative credit unions. Yet, financially, they were sound institutions deserving the confidence of the small depositor. Their capital was rarely below one-fifth, and the deposits usually about two-thirds, of the total liabilities.

The difference in the structure of the liabilities of zemstvo funds and of coöperative credit unions will appear from the following table, showing the ratios of the several liabilities on January 1, 1916:<sup>15</sup>

<sup>15</sup> *Vestnik Melkago Kredita*, 1916, No. 32, pp. 1270-1271; No. 44, pp. 1814-1815.



	<i>Zemstvo funds</i>	<i>Coöperative credit unions</i>	
		<i>10 old unions</i>	<i>42 new unions</i>
Capital	18.6	8	9.5
Deposits	64.5	64.5	61.1
Borrowed funds	9.9	4.1	8.1
Other items	7	23.4	21.3
	<hr/> 100	<hr/> 100	<hr/> 100

The coöperative unions were poorly provided with capital, as compared with the zemstvo funds, and the old unions were even weaker in this regard than the new ones. The "other" items had gained an obviously extreme importance in the unions, owing to the factors indicated in the preceding pages. But as regards deposits and borrowed funds, the two institutions appear equally strong, both enjoying the confidence of the small depositor who was the principal source of their operating funds, and neither resorting to borrowing to any great extent.<sup>16</sup>

The fact that borrowing operations remained undeveloped, both in the zemstvo funds and in the coöperative credit unions, cannot be accounted for by the difficulty of gaining access to the money market. In addition to the private market, a vast source of working funds had been opened to them by the law of June 21, 1910, which authorized the government savings banks to use a certain portion of their funds for the extension of credit, including long-term loans, to organizations of small credit, whether local coöperative societies, credit unions, or zemstvo funds. The principal object of those provisions was to strengthen the capital of the credit organizations by the means of long-term loans, redeemable in instalments and on favorable terms. The law of 1910 fixed the maximum amount of loans to be so granted by the savings banks in any one year at 20,000,000 rubles, plus annual additions equal to one-tenth of the increase of savings deposits in the last preceding year including accrued interest which was added to such deposits. The amount of the fund thus made avail-

<sup>16</sup> It may be here observed that in the German organizations of the second order (*Zentralkassen*) borrowed funds normally formed about one-fourth of the liabilities. Cf. A. N. Antsiferov, *Polozhenie kooperativnago kredita v stranakh Zapadnoi Evrope* (*Conditions of Coöperative Credit in the Countries of Western Europe*) in *Kursi po kooperatsii* (*Lectures on Coöperation*) published by the Shaniavsky People's University, Moscow, 1913.



able for the credit organizations each year, and the extent to which it was utilized are shown in the following table:<sup>17</sup>

	<i>The annual increment</i>	<i>Total fund available</i>	<i>Amounts not utilized</i>	<i>Ratio not utilized</i>
	<i>(in thousands of rubles)</i>			
January 1, 1910	7,500	27,500	—	—
January 1, 1911	11,400	38,900	38,500	99
January 1, 1912	10,600	49,500	43,300	87.5
January 1, 1913	9,200	58,700	40,700	69.3
January 1, 1914	9,000	67,700	43,800	64.7
January 1, 1915	15,000	82,700	40,800	49.3
January 1, 1916	61,200	143,900	95,700	66.5

One might admit that the local associations found some difficulties in applying for credits in this fund, owing to the complicated procedure, but these difficulties could not have been of any importance as far as zemstvo funds or the unions of coöperatives were concerned. Their failure to utilize this new source of credit is more correctly explained by the feeble development of their machinery, by their inability to utilize with advantage the abundant supply of funds coming from depositors, and partly by their mistrust of government authority and government initiative. Whatever the true cause, the fact remains that the most abundant source of funds, the popular savings accumulated in the savings banks, was not availed of.

The one salient fact of the zemstvo funds is the great relative importance of free capital at their disposal. Their growth in the system of rural credit, first noted in 1911, was marked by an accumulation of surpluses, which were not utilized for purposes of coöperative credit or for those of small credit in general. The free capital formed 17.6 per cent of all assets on January 1, 1912, and it continued to increase, both in absolute figures and in relative importance, except for a brief period at the time of war declaration.<sup>18</sup> On January 1, 1916, the free funds already amounted to 32.5 per cent of all assets, a situation fully resembling that of the coöperative credit unions. This does not mean, of course, that the coöperative movement was saturated with credit. It can hardly be imagined indeed that an amount of approximately 37,000,000 rubles, which was the aggregate of the free funds in all zemstvo funds on January 1, 1916, could

<sup>17</sup> *Vestnik Melkago Kredita*, 1916, No. 29, pp. 1184-1185.

<sup>18</sup> *Ibid.*, 1916, No. 43, p. 1775.

not be advantageously placed in loans in a country of the size of Russia. The accumulation of free capital is explained rather by the inadequacy of the machinery both of the zemstvo funds and of the then existing central coöperative bank at Moscow.

In accordance with the fundamental objects of the zemstvo funds, loans held a predominant position among their assets, standing at 76.5 per cent on January 1, 1912. The war conditions, which caused a decline in the loan operations of all organizations, affected the loans of the zemstvo funds as well. Thus on January 1, 1916, loans represented 52.5 per cent of all assets. However, the decline in loans was not as serious as in the case of the unions of coöperatives.

While the activities of the zemstvo funds developed successfully on the whole, there were two factors that impaired their effectiveness. First, they were institutions controlled by the zemstvo administrations, financed by them or from government sources, and managed without any participation on the part of their clients, the local coöperative associations. The attempts made by zemstvo funds in a few exceptional instances to give their clientele a share in the administration through the establishment of advisory boards were of little aid. As a result, the zemstvo funds came to be regarded by the coöperative organizations and by the peasantry in general merely as agencies through which government "subsidies" could be obtained. A second disadvantage was that the activities of the zemstvo funds were confined to those territories which possessed zemstvo institutions. The vast regions which were thus deprived of this form of rural credit included all of Siberia, where the coöperative credit movement was growing at a remarkably rapid pace, as well as all the border regions.

Furthermore, there was a lack of harmony between the zemstvo funds and the leading coöperative organizations, whose attitude was distrustful, if not frankly hostile. The representatives of the zemstvo funds were for instance refused the right of vote at the Conference on Small Credit and Agricultural Coöperation which met in 1912 at St. Petersburg, although the problem of zemstvo funds was one of the most important on the agenda of the conference. Almost every annual meeting of the shareholders of the Moscow People's Bank passed resolutions recommending to the board of directors and to the council to exercise caution in admitting zemstvo funds as shareholders or in doing business with them. There was therefore little pos-

sibility of a coördination of the activities of the coöperatives with those of zemstvo funds. This proved particularly harmful during the War, in time of general expansion. In many provinces both zemstvo funds and unions of credit coöperatives were functioning, and a peculiar form of rivalry developed between them. Both were interested primarily in extending the net of coöperative organizations, both were working by extensive rather than by intensive methods; both were thus following the practice of the government inspection of the Board of Small Credit, which was another rival agency.

In order to provide for the auditing of coöperative societies, a number of zemstvo funds and, to an even greater extent, of credit unions established divisions of "instruction" or of "instruction and auditing" with very broad functions but without a sufficiently competent personnel. In practice, as has already been stated, auditing remained a function of the government inspectors. The only field where competition did not injure either of the rival organizations was that of deposit operations. The flow of deposits during the War continued unabated, as did the growth of small savings from which they came.<sup>19</sup>

In addition to the zemstvo funds and the coöperative credit unions, the local branch offices of the State Bank also aimed to function as institutions of the "second order," and finally the branches of the Moscow People's Bank performed the same functions wherever they became established. This four-cornered system created a veritable *embarras de richesse*. The local associations could look for aid to any or all of the four types of organizations, and some of them learned how to take the best advantage of the situation. On the other hand, both the credit unions and the zemstvo funds could apply for credit to the branches of the State Bank and to those of the Moscow People's Bank, which in their turn resorted to the credit of the State Bank, the ultimate source of all advances.

Finally, the government Board of Small Credit was also competing with the zemstvo funds, with the credit unions, and with the Moscow People's Bank, and was supported by the powerful machinery of the State Bank and of the savings banks. As a result the structure of coöperative credit as a whole was extremely complicated,

<sup>19</sup> The government savings banks accumulated over two billion rubles of savings deposits during the War.



confusing, and lacking in differentiation of functions. All these defects would have undoubtedly been remedied later on, had the development of the coöperative movement proceeded under normal conditions. That development, however, was cut short by the Revolution.

*The Effects of the Revolution.*

The Revolution of March, 1917, was followed by what was in appearance a period of coöperative prosperity. The zemstvo funds, now more democratic in their aspirations, continued their activities uninterrupted, although they were naturally affected by the general impairment of economic conditions—the steady depreciation of the currency and inflation of prices, the further strengthening of the system of government regulation, the unfavorable conditions of the money market, the breakdown of transports, and the shortage of goods. Still in the first months of the Revolution they successfully met all difficulties, owing largely to the uninterrupted flow of deposits and to a greater utilization of State Bank credits. But in 1918 the zemstvo funds disappeared in the territories under Bolshevik rule, following upon the abolition of the zemstvo administrations. They continued in operation in the Ukraine under the German occupation and the rule of the Ukrainian Hetman.

On the other hand, the coöperative credit unions, under the Provisional Government, enjoyed the special protection of the authorities and the broad support of the State Bank. The Board of Small Credit was abolished, and the unions had to assume the functions formerly performed by the government inspectors, a task for which most of the unions were not prepared nor sufficiently equipped. At the same time the idea became very popular among coöperative organizations that they were called to play a leading part in the radical reorganization of the economic system of the country, which they regarded as the immediate need of the hour. The coöperative credit unions accordingly assumed tremendous tasks in the way of the organization and control of production. In the territory of Great Russia, which was the first to come under Bolshevik rule, these activities did not proceed very far. On the contrary, in south Russia, and to some extent in Siberia, the unions developed a feverish activity in starting industrial enterprises of their own. They acquired or created workshops for the production of agricultural machinery



and other farm implements, flour mills, elevators, brick yards, oil factories, cloth mills, etc. Very far-reaching plans were put forth for the establishing of new plants and factories on a large scale.

All these undertakings were, of course, doomed to failure, as the unions did not possess either sufficient experience, or an adequate technical personnel, or sufficient familiarity with market conditions, and, above all, they were lacking the money required for the initial capital and for the operating funds of the new enterprises. The scale on which the activities of the unions were now carried on eliminated any possibility of raising special funds for financing industrial undertakings, even if the general economic conditions were to remain normal. How little the leaders of the unions were interested in this side of the problem may be seen from the fact that many million rubles of long-term credit opened by the state savings banks remained unemployed.

Generally speaking, it was a generous move, which however could not be adapted to the actual conditions of the economic life of Russia. It contributed, among many other causes, to the weakening of the economic position of the coöperative movement and paved the way to the destruction of coöperative organization.

The system of government regulation of the food supply culminated after the Revolution in the introduction of government monopoly of the grain trade. This measure was decided upon by the Provisional Government, in principle, less than one month after the Revolution; but as the Government planned to enforce the grain monopoly through the agency of coöperative organizations the proposition was submitted by the Minister of Agriculture M. Shingarev to the All-Russian Coöperative Congress, which approved it. As a matter of fact, the local rural societies took little, if any, part in the attempts to enforce the grain monopoly. But the unions of co-operatives eagerly responded to the invitation of the Government and exerted all their efforts to help carry out the new system in practice. This had, on the whole, an adverse effect on the unions. In the first place, a number of the leaders of coöperative organizations were assigned to responsible government positions in connection with the food supply service, and they become absorbed by their new functions to the detriment of their duties to the coöperative movement. Furthermore, the enlistment of coöperative organizations in the supply service opened to them an unlimited source of funds in the

shape of government advances and credits at the State Bank, and this, combined with the experience of the unions, their ventures in the field of production, the tremendous increase in their hired personnel, and the rapid advance of prices and wages, destroyed almost entirely the ability of the unions to control their own budgets. They were now just in a position to "ascertain the disbursements that had been effected," according to a characterization given by a prominent financial authority of the time.

### *Regional Credit Unions.*

A brief historical survey of the activities of a few unions of credit coöperatives will be helpful in giving a more intimate picture of this type of coöperative organization. The three unions selected for this purpose are all located in the grain-producing regions of south Russia.

The *Southeastern Union of Coöperative Unions*, known under its abbreviated name, *Yuvoss*, was founded on June 24, 1917, at Rostov-on-Don. It embraced originally the South-Don Union of Small Credit Associations, the Novocherkask Union of Credit Associations, the Second Don Union of Credit Associations, the Donets Union of Credit Associations, and the unions of small credit organizations of the provinces of Stavropol, Kuban, Taganrog, and Terek, eight unions of coöperative credit in all located in four provinces and regions of European Russia. The capital of the new union, which amounted to 345,000 rubles, was constituted by shares of 500 rubles each, every association affiliated with the constituent unions having subscribed to one share. The organization was completed in 1917, although demobilization and the outbreak of civil warfare prevented it from accomplishing its full program.

The aim of this regional union was to combine the activities of the several organizations with reference to purchase and marketing. It was planned to acquire the large *Aksay* plant of agricultural machines in Nakhichevan, and to utilize its productive capacity for the benefit of the coöperative movement. The output of that plant in 1917 was 65,000 ploughs of various types, 2,000 sowing machines, and about 15,000 harvesting machines. The negotiations for the purchase of the plant were nearly completed, and the Government had allowed a sufficient advance to the *Yuvoss* for the execution of

its plan. In the field of marketing, it was planned to establish at Rostov-on-Don a wool-washing plant, in order to organize the marketing of wool on a coöperative basis. In fact, of the 1,500,000 puds of wool which were gathered annually in the four southeastern regions of Russia, no less than 500,000 puds represented the output of small producers affiliated with coöperative associations.

In the autumn of 1917 *Yuvoss* acquired, in behalf of the several affiliated unions, various goods, such as structural iron, agricultural machines and tools, twine, etc. Beginning with January, 1918, however, Rostov became the center and the object of fighting between the Bolsheviks and the Cossacks. The city was cut off from the rest of Russia. Goods shipped to *Yuvoss* were looted on the way or were seized by the Bolsheviks and forwarded to central Russia. In this manner were lost about 100 carloads of iron, 70 carloads of agricultural machinery, 20 carloads of binder twine sent from Archangel. These losses seriously affected the union and nearly caused its collapse. The situation was further aggravated by the fact that the Rostov office of the Moscow People's Bank was likewise in heavy straits. In the spring of 1918 it had helped the Kharkov office of the Bank with an advance of about 6,000,000 rubles; now that the civil war had cut off Rostov from Kharkov, it was impossible to obtain a refund, and the Rostov office of the Bank found itself compelled to discontinue all advances and to limit payments on current accounts. *Yuvoss* was thus not only deprived of the normal and most important source of credit, but it had to come to the rescue of the Bank by making its own credit available to it. The Rostov office of the Bank demanded of *Yuvoss* an advance payment on discounted notes, and all the balances of *Yuvoss* at private banks were utilized for this purpose. The union was barely able to survive the summer of 1918. In October a conference was called, which elected a new board of directors and revised the by-laws. The share capital was augmented by increasing tenfold the amount of the individual shares of the affiliated societies; the liability of the shareholders was fixed at ten times the amount of their respective shares; finally, new members were admitted, with the result that *Yuvoss* embraced all unions of credit co-operatives in southeast Russia without exception. The work of the reorganized union was carried on in five departments: supply, marketing, production, information, and statistical research.

These changes resulted in raising the capital of the union to



5,000,000 rubles, and the liability of the members for its obligations to 50,000,000 rubles. The new board of directors was thus enabled to liquidate in a short time all the results of the crisis and to start the work anew under the improved provisions of the revised by-laws. It soon acquired an anthracite mine in one of the best districts of the Donets field, which enabled it to supply the population of the steppes with fuel; also a machine plant, for the manufacture of small agricultural implements; and it undertook the construction of a large plant for the production of groats, with the most modern equipment. In spite of all difficulties, *Yuvoss* succeeded nevertheless in building up its activities in 1918 on a comparatively large scale, and its balance sheet on January 1, 1919, showed total assets of over 40,000,000 rubles. To avoid the repetition of another financial crisis, the affiliated unions decided to establish a bank of their own, under the name of the South-Eastern Coöperative Bank.

In the first half of 1919, *Yuvoss* became the principal supplying agency for the coöperative organizations of the region, and it was thus in a position to meet the tremendous demand for articles required in agricultural production. And as the anti-Bolshevik forces were extending their authority over new territories, the area of the union activities was also expanding, and it soon opened agencies in Novorossisk and in Kiev. The turnover of the union in 1919 attained 1,000,000,000 rubles, and assets of 80,000,000 rubles.

The marketing activities of the union lagged far behind its work as an agency of purchase and supply. This was due to the fact that marketing was more of a new venture, and that such marketing operations as had been until then conducted by the affiliated unions were of a purely accidental character. However, *Yuvoss* succeeded in organizing on a fairly stable basis the assembling and marketing of sunflower seed, wool, bristles, tobacco, and, to some extent, of grain; the latter in behalf of the Government of the Don Cossacks. With the fall of the Don Government, about 360,000 puds of grain were seized by the Bolsheviks in the Don region alone, causing a loss of nearly 70,000,000 rubles to the coöperative organizations.

*Yuvoss* was also endeavoring to establish connections with foreign markets with a view to securing both permanent sources of imports and an outlet for raw materials. In July, 1919, the commercial agreement signed by the Government of the Volunteer Army with a special envoy of the Government of Czechoslovakia enabled the union to



effect a number of transactions in that country for the purchase of machines, tools, bags, and other goods, of a total value of 40,000,000 Czech kronen, in exchange for hides, tobacco, bristles, wool, and "salomas."<sup>20</sup> The transaction could not be fully carried out, owing to the fall of the anti-Bolshevist government of South Russia.

The *Odessa Union of Credit and Loan and Savings Associations*, briefly known as *Soyuscredit*, originated at the time of the regional conference of coöperatives held at Odessa in May, 1911. At that time five different groups were at work seeking to organize federations in the various territories of the province of Kherson, of which Odessa was a part. The founders of *Soyuscredit* confined, therefore, its activities to the area of three districts of the province of Kherson (Odessa, Ananiev, and Tiraspol) and of two districts of the province of Bessarabia (Akkerman and Ismail), which were economically gravitating toward Odessa.

For four years no action was taken by the government authorities on the draft of by-laws that had been submitted for their approval. It was only during the War, in June, 1915, that the Board of Small Credit approved the establishment of the Odessa Union and authorized an advance of 30,000 rubles from the fund of the savings banks for the constitution of the union's initial capital. Meantime there had been functioning in Odessa, as a substitute for a union, an organization of a peculiar type, the coöperative committee of the Agricultural Society of South Russia, which served as a center around which the local coöperative forces were grouped. The committee called conferences and conventions, acted as a representative body of the coöperative organizations as a whole, arranged courses on coöperation, and published a journal.

At the end of 1914, 182 coöperative credit societies were functioning in the territory which later came under the jurisdiction of the *Soyuscredit*; their assets aggregated 11,800,000 rubles. Of these societies, only eight, representing 6,637 households, and aggregate assets of 835,000 rubles, became the founders of *Soyuscredit*. At the first meeting held on November 14, 1915, the objects of the union were defined as consisting of supply, marketing, and organization. The capital was to be constituted by an initiation fee of 50 rubles per association, and by share subscriptions, which were fixed at 50

<sup>20</sup> A product of Russian invention, obtained from sunflower-oil.

copecks per member of each association. The managing board was formed of two representatives of the credit associations and of one field instructor.

The union did not actually begin to function until February, 1916. The membership was then considerably enlarged through the admission of 28 new associations. With a view to building up the purchasing operations on a large scale, the union decided at its first business meeting to join the special organization which was then being planned in south Russia for the purchase of agricultural machinery; to approve the plan of establishing a Bureau of Unions of South Russia at the Coöperative Committee of Odessa; that the system of marketing should be organized on the basis of assembling small parties of grain from producers at various railway and river points for direct shipment to central markets, and not merely confine itself to the re-sale of shipments delivered to it; to act also as the intermediary of non-member coöperative associations; to join the movement for the organization of dairy coöperatives; and, finally, to promote the "cultural and educational" interests through courses on coöperation, accounting, and the publication of the journal *Yuzhny Kooperator* (*The Southern Coöperator*). That very same meeting went on record in favor of modifying the by-laws of the union so as to enable it to admit to membership agricultural coöperatives of all types.

The operations of *Soyuscredit* grew very rapidly. On April 1, 1916, its assets amounted to but 102,000 rubles; by November 15 of that year they had increased to 1,500,000 rubles, consisting to the extent of 40 per cent of advances for the purchase of grain for the army. The number of affiliated associations had grown to 70 by the middle of 1916.

The general trend of the more important operations may be seen from the following table, the sums being:

	<i>Deposits and current accounts</i>	<i>Loans (in thousands of rubles)</i>	<i>Annual turnover</i>
December 31, 1916	738.2	184.5	21,700
December 31, 1917	2,156.8	318.9	143,700
December 31, 1918	7,458.5	1,433.3	121,300
December 31, 1919	51,749.1	50,353.2	1,388,600

The ratios of the annual deposit and current account transactions to the total annual turnover were as follows for the respective years of 1916-1919: 22, 9, 23, and 33 per cent.

An examination of the data above reveals the following characteristic features: (1) Notwithstanding the very rapid growth of deposits, their annual amounts ranged between one-fifth and one-third of the total transactions, the bulk of which were in connection with trading operations; in 1917 the ratio declined to 9 per cent as a result of the attempts to introduce the grain monopoly and the heavy movement of funds on account of government advances made in that connection, so that *Soyuscredit* was more a trading than a banking organization. (2) Loan operations grew very slowly in the war years, a phenomenon general with all credit societies. But in 1919 loans suddenly jumped upward, which was due to the credits granted to other unions and especially to consumers' societies.<sup>21</sup>

Thus under conditions of economic disorganization the system of coöperative credit, designed to serve productive purposes, was turned into strange channels of trade.

Civil warfare, consumers' needs, ruthless speculation, and the advance in prices had compelled the union to undertake commercial activities. Through the agency of the central union the local coöperative societies were enabled to obtain various goods at prices which were 10, or 20, or even 50 per cent below those prevailing in the open market; as regards leather goods, in particular, the union was able to obtain them at one-fourth of the prevailing retail prices. The work of financing various consumers' societies was a heavy task, and the union was continuously laboring under a shortage of operating funds.

The provision of grain for the needs of the army was another important item in the activities of the *Soyuscredit*. Up to November 16, 1916, it had supplied 456,816 puds of barley, 32,739 puds of rye, 6,754 puds of oats, and 1,742 puds of wheat. The producers, when dealing with the union, were receiving from 20 to 30 copecks a pud above the prices they could get in the private market. The greater part of the operations of the union in this field took place in 1917,

<sup>21</sup> Analogous developments took place in Moscow, Kharkov, Rostov, and in other cities, where the branch offices of the Moscow People's Bank were exhausting their funds by opening credits to consumers' coöperatives.



but there are unfortunately no detailed figures available for that period.

The activities of the union reached the peak in 1919.<sup>22</sup> It was at that time one of the strongest and most influential regional unions in Russia. It possessed a powerful organization machinery; it owned the best book store in Odessa; it had at its disposal a trained force of field instructors and agricultural experts; its headquarters were located in an excellent building which it owned in the best section of the city. Toward the end of 1918 it began to establish direct connections with foreign markets; it sent a delegation to England and to the United States for this purpose, and in 1919 it equipped the *S.S. Rossia* with a cargo of raw materials to be exchanged abroad for goods lacking in the Russian markets.<sup>23</sup>

The *Kuban Union of Credit Organizations* was one of the "old" unions, dating to pre-war times. Its promoters had formulated all plans as far back as 1906, and a draft of the by-laws was then submitted to the proper authorities for approval. It was only two years later that the Board of Small Credit could notify the initiators that it "will shortly proceed to examine the by-laws of the unions submitted for its approval including that of the Kuban Union." It took, however, another three years before approval was granted by the Emperor, on July 13, 1911.

The Kuban region is one of the richest in Russia, because of the fertility of its soil, mining resources, and the general welfare of the population. It covers an area of 8,500,000 deciatines,<sup>24</sup> with a population of 3,250,000, of whom the rural population form 89 per cent. Of the entire area, only 3,500,000 deciatines, or 41 per cent, were under cultivation. Yet in spite of primitive methods and the total absence of fertilizers, the region produced an annual crop of about 250,000,000 puds of grain and potatoes and exported nearly 90,000,000 puds net, annually, including about 60,000,000 puds of the renowned "Kuban Wheat." The value of the annual output of the region was estimated at 310,000,000 gold rubles, in which the production of grain figured for an amount of 235,000,000 rubles. The War led to a reduction of the acreage under cultivation, as early

<sup>22</sup> The peculiar political conditions in the Odessa region enabled this union to remain in business longer than the unions of central and north Russia.

<sup>23</sup> After many adventures the *S.S. Rossia* reached the port of Genoa.

<sup>24</sup> One deciatine = 2.7 acres.



as 1915, and in 1917-1919 the planted area was 25 per cent below normal.

The coöperative movement of the region had a history of thirty years before the War. At that time when the Kuban Union was founded, there were 220 coöperative credit organizations, with a membership of nearly 165,000 households. Of these 105 associations joined the union, mostly societies of recent origin; the older organizations, mostly loan and savings associations, held back, as they had considerable funds, needed no credits, and had about attained the limit of expansion in their loan operations. From the beginning the growth of the union was rapid, as evidenced by the data following:

	<i>January 1, 1913</i>	<i>January 1, 1914</i> <i>(in rubles)</i>	<i>January 1, 1915</i>
<i>Liabilities:</i>			
Owned capital	65,952	103,930	117,996
Deposits	72,196	417,923	715,629
Borrowed funds	144,876	244,529	216,837
<i>Assets:</i>			
Loans	274,826	698,010	722,578

The union, as originally planned, was to embrace the following activities: (1) the organization of credit at low rates and on fair terms; (2) the supplying of coöperatives with agricultural implements, building materials, improved seeds, sulphur and copper sulphate to combat farm pests; (3) the marketing of agricultural products, and especially grain; (4) the establishment of grain-clearing stations; (5) technical advice, through the employment of agronomists, by lectures, and the establishment of model farms; (6) the publication of a journal. Gradually the union carried out all these plans, although it proceeded slowly and cautiously. On January 1, 1918, its membership had grown to 186 affiliated associations, representing over 137,000 households. In 1919, the union was transformed into the Kuban Coöperative Bank. This, however, meant no essential change, except the expansion of the volume of its banking operations and the right granted to it to establish industrial enterprises of its own.

The outbreak of the War found the coöperative organizations of the Kuban region in an excellent condition, economically strong, closely federated, and full of promise. The combined balance sheets

of the 255 coöperative credit societies functioning at that time showed assets aggregating 28,000,000 gold rubles. The operations of the societies were developing normally, and they were able, on the whole, to meet the requirements of the population. The situation was less satisfactory with regard to coöperative marketing, owing to the lack of coöperative storehouses and elevators, of necessary funds, and of an experienced personnel. As soon as the problem of supplying the army arose, the Government paid particular attention to this rich region. Government agents for the purchase of grain, hay, meat, fats, etc., soon began their activities there, and they enlisted, first, the entire apparatus of private trade. The Kuban Union then began an active propaganda among the credit associations to induce them to take part in the provisioning of the army. The Union itself undertook to attend to the settlement of all accounts between the several associations and the government agents. Coöperative organizations showed an increasing interest in the work, although less than one-half of their number took part in it. The organization of these activities proved difficult, as the societies were handicapped by the lack of experience and of equipment. However, they soon gained in experience, and in 1917, when private traders began to curtail their operations and were willing to sell their storehouses, they expanded their activities in grain very considerably. At that time there was much confusion in the region in connection with the working of the grain supply service and with the attempts to introduce the government monopoly. The discontent of the population found its expression in the refusal to sell grain and in violent outbreaks against the grain dealers. The government agents began to requisition grain, which further added to the general unrest. It was then that the coöperative organizations took an active part in the formation of the so-called Regional Supply Committee, which concentrated in its own hands all grain purchases in the region, entirely eliminating all agents, whether of the Government or of other organizations, and succeeded in bringing order out of chaos. The Regional Committee succeeded in providing the army with 2,500,000 puds of grain in April, 3,000,000 puds in May, and 4,500,000 puds in June, 1917. The work was carried on on this scale until the collapse of the military front in October, 1917.

## CHAPTER IV

### NATIONAL COÖPERATIVE BANKS

#### *The Formative Stage.*

THE problem of a central bank of coöperative organizations is one of the most difficult and complex, and at the same time one of the most essential problems of coöperative credit. Since the International Coöperative Congress of Budapest, in 1904, it became the burning problem. And yet, in spite of the growth of a considerable literature on the subject, there cannot be pointed out in western Europe a single instance of a central coöperative bank that has solved the problem with complete success.

In Russia the idea of a central bank was first formulated by the All-Russian Congress of Trade and Industry, held at Nizhni-Novgorod in 1896, on a motion of the Section on Coöperation and Rural Trades. What the resolution of the congress advocated, however, was not an actual coöperative bank, but the creation of a special state bank for small credit, or, in other words, of a government agency to which would be delegated the functions of the State Bank with regard to the supplying of funds to small credit institutions. Two years later, the congress on coöperation which met at Moscow, in discussions of ways and means, accepted the opposite view, and adopted a draft of a coöperative bank which was to be not a government institution but one operated in behalf of coöperative organizations. The by-laws were approved by the Government in the following year, with a few modifications, but no action was taken at that time.

The matter was again debated in 1908, at the first All-Russian Coöperative Congress. The discussion centered around the two opposing views as to the nature of the bank to be established. On the one hand, the plan advocated primarily by the Board of Small Credit favored a strong central government bank, on the model of the Prussian *Zentralkasse*, with a capital of 100,000,000 rubles supplied by the savings banks and by the Government. To this plan, which offered undeniable financial advantages, while at the same time definitely concentrating all actual control in the Board of Small Credit, there was opposed the plan favoring the establishment of a popular joint-



stock bank. The latter would for a long time be financially weak, but it would strengthen, it was agreed, the independence of the coöperative movement and tend to free it from government tutelage. After some hesitation, the congress rallied to the latter view.

The committee which was appointed to carry out the decision of the congress, ventured at first to link the proposed bank, during the initial stage of its existence at least, with the machinery of a private bank already functioning; failing in this the committee next tried to obtain the aid of private capital for the founding of an independent bank. The plan did not offer any inducements to private investors, it held out no prospects of large returns, and the coöperative idea underlying it was rather liable to scare them away. There remained but one course open, namely, to raise the capital within the coöperative movement itself. It was not believed that any large funds could be obtained in that way, and, therefore, the initiators decided to constitute the bank on the modest scale of a people's bank common in western Europe, taking the People's Bank of Mentone as a model. At the same time it was planned gradually to transform the bank into a true central bank, as its operations expanded and as its situation became clear and stable.

The organization of the bank was carried on with devotion and genuine enthusiasm. From the time of the congress of 1908 to the first general meeting of shareholders held four years later, the coöperative societies in every corner of Russia expressed their interest in the bank. The 500,000 rubles of capital required before the bank could start its operations, were subscribed within a short time.

### *Capital and Membership.*

The bank was established in Moscow under the name of the *Moscow Narodny (People's) Bank*. Its object was defined in the by-laws as that of "supplying funds for institutions of small credit and for all kinds of coöperative enterprises for the purpose of facilitating their transactions."<sup>1</sup> The scope of the bank's operations was thus not confined to any particular type of coöperative organization, which afforded the opportunity of gradually transforming it into a central bank for the coöperative movement as a whole. The bank opened in May, 1912.

<sup>1</sup> *Sobranie Uzakoneni i Rasporiazheni Pravitelstva (Collection of Enactments)*, 1911, No. 754, art. 1030.



Although the bank was empowered, under its by-laws, to deal with private persons and concerns as well as with coöperatives, the first general meeting of the shareholders voted to confine its operations for income to coöperative organizations. The meeting declared, "the Moscow People's Bank shall conduct its activities in the interest of coöperation exclusively, and, in particular, that it shall utilize all funds at its disposal for the development of coöperative organizations; the bank shall base its activities upon the existing unions of coöperatives, individual coöperatives, and zemstvo funds to the extent that they function in lieu of unions, and it shall assist in the establishment of new unions."<sup>2</sup>

The first issue of shares was for an amount of 1,000,000 rubles, divided into 4,000 registered shares, of 250 rubles each.<sup>3</sup> The founders did not offer the shares for public subscription, but undertook to distribute them themselves, hoping that they would be able to place them with coöperative organizations. That the management was not deceived in its expectations may be seen from the following table:<sup>4</sup>

	<i>Number of share- holders in each group</i>	<i>Number of shares held</i>	<i>Percentage of total shares</i>
1. Institutions of small credit and their unions	1,067	2,362	59
2. Consumers' societies and their unions	230	763	19
3. Agricultural societies, asso- ciations, and their unions	61	179	4.5
4. Other organizations	25	86	2.5
5. Private individuals	165	610	15
Total		4,000	100

Only 15 per cent of the shares were thus held by private persons, at an average of about four shares each. The private holders acquired

<sup>2</sup> *Minutes (Protokoli) of the First Meeting of Shareholders of the Moscow People's Bank*, March 28 to 30, 1912, Moscow, 1912, pp. 3-4.

<sup>3</sup> The shares of the Moscow People's Bank were issued in the name of the member; they could be transferred only with the permission of the board and the transfer was duly entered on the books of the bank.

<sup>4</sup> *Report (Otchet) of the Moscow People's Bank for 1915*, Moscow, 1916, p. 6; where no other authority is given, the data are quoted from the balance sheets and annual reports of the Moscow People's Bank.

their shares as friends of coöperation, not for any purposes of speculation, which was indeed impossible under the rules governing transfers and registration. The coöperative character of the Moscow People's Bank could not be doubted from the start, and it was hoped that the succeeding issues would not disturb the proportional distribution of shares among the various groups.<sup>4</sup>

The second million of share capital was issued on July 4, 1913, and was paid in by March 1, 1914, almost on the eve of the War. On January 1, 1917, the distribution of the shares was as follows:<sup>5</sup>

	<i>Number of share- holders in each group</i>	<i>Number of shares held</i>	<i>Percentage of total shares</i>
1. Institutions of small credit and their unions	2,071	5,568	69.6
2. Consumers' societies and their unions	448	963	12
3. Agricultural societies, asso- ciations, and their unions	146	460	5.8
4. Other organizations	87	362	4.5
5. Private individuals	170	647	8.1
Total		8,000	100

On January 1, 1917, the percentage distribution of the shares had changed but very little, except for an increase in the holdings of organizations of small credit, which had then attained 70 per cent of the total.

The bulk of the bank's capital was thus concentrated in the hands of coöperative credit organizations, which was but natural. As we shall see, the same organizations supplied the bank with the bulk of its operating funds. All other coöperative organizations combined held less than one-fifth of the shares, while the relative importance of private holders was steadily declining. In February, 1916, the council of the bank passed a resolution to the effect that beginning with the third issue the shares should be offered exclusively to co-operative organizations, and as a result the holdings of private persons declined to 1.5 per cent of the total after that issue.

The capital of 2,000,000 rubles with which the Moscow People's Bank began the year 1917, had for long ceased to be commensurate

<sup>5</sup> *Report (Otchet) of the Moscow People's Bank for 1917.*

with the volume of its operations, or with the rapid increase of deposits, or with the growth of its clientele recruited among coöperative organizations. Two new series of shares were accordingly issued in 1917, for a total amount of 8,000,000 rubles. The capital of the bank was thus increased to 4,000,000 rubles in March, 1917,<sup>6</sup> and to 10,000,000 rubles at the beginning of 1918. At that time the distribution of the shares showed the effects of war-time developments on the coöperative credit movement; it clearly reflected the remarkable growth of various types of unions of coöperatives as well as the changes wrought by the War in the character of coöperative business. On February 1, 1918, the shares were distributed as follows:<sup>7</sup>

	<i>Number of share- holders in each group</i>	<i>Number of shares held</i>	<i>Percentage of total shares</i>
<i>Unions of Coöperatives</i>			
(1) Mixed unions	137	12,453	31.2
(2) Consumers' unions	76	11,301	28.3
(3) Credit unions	110	3,662	9.1
Total	323	27,416	68.6
<i>Individual Organizations</i>			
(1) Credit associations and loan and savings associations	2,309	6,372	15.9
(2) Consumers' societies	1,069	3,369	8.4
(3) Other coöperatives	758	2,197	5.5
Total	4,136	11,938	29.8
All other shareholders		646	1.6
Grand total		40,000	100

The table above needs to be interpreted in the light of what has been pointed out in the preceding chapters with reference to the effects of the War on the shortage of goods in the markets. Consumers' organizations gained in importance. The proportional holdings of the three groups of coöperatives were now as follows: (a) consumers' unions and individual societies combined ranked first,

<sup>6</sup> *Comparative balance sheet of the Moscow Narodny Bank for the first six months of 1917*, London.

<sup>7</sup> Gregr, *loc. cit.*, p. 19.

with 36.7 per cent of all shares; (b) unions of the mixed type representing consumers' and agricultural marketing organizations held 31.2 per cent; and (c) credit coöperative unions and all credit associations combined held 25 per cent. The three groups combined were holding over nine-tenths of all shares.<sup>8</sup>

The operations of the Moscow People's Bank, begun on a very modest scale, grew with a rapidity that was altogether unexpected. A general view of this growth, both before and during the War, is conveyed by the following figures:<sup>9</sup>

	<i>Share and reserve capital</i>	<i>Deposits (in thousands of rubles)</i>	<i>All liabilities, as of January 1</i>	<i>Annual turnover</i>
1912 (9 months)	1,000	660	2,300	22,700
1913	1,000	2,260	4,300	53,600
1914	2,000	3,800	8,400	110,200
1915	2,020	10,900	27,600	243,200
1916	2,090	36,800	83,800	1,188,400
1917	10,470	153,300	321,000	5,823,500

<sup>8</sup> The territorial distribution of shares in 1918 was as follows:

<i>Regions</i>	<i>Number</i>	<i>Percentage</i>
Central Russia	15,247	38.2
Don-Dnieper region	5,945	14.9
Volga region	3,295	8.2
Ural region	2,192	5.5
Northern region	2,105	5.2
Western and Baltic provinces	496	1.2
European Russia	29,280	73.2
Western Siberia and Central Asia	8,748	21.9
Eastern Siberia	1,011	2.5
Asiatic Russia	9,759	24.4
Caucasus	961	2.4
Total	40,000	100

Cf. D. Ilmsky, formerly head of the Issue Department of the Moscow People's Bank, *Moskovski Narodni Bank za god Revolutsii* (*The Moscow People's Bank after a Year of the Revolution*), in *Sibirskaya Kooperatsya*, Novo-Nikolaevsk, Siberia, 1918, Nos. 4-5, p. 39.

Central Russia, i.e., the twelve provinces surrounding Moscow, thus ranked first; next came the Asiatic territories, and, in particular, Western Siberia; then followed the Don-Dnieper region, the Volga region, etc.

<sup>9</sup> Antsiferov, *Tsentralni Bank Kooperativnago Kredita* (*Central Coöperative Bank*), Petrograd, 1919, p. 169, quoting official data of the reports and balance sheets of the Moscow People's Bank.



Even these figures, which give but a very general view of the situation, are sufficient to warrant the contention that the founding of the Moscow People's Bank was in no way premature, that it responded to urgent needs of the Russian coöperative movement, and that it succeeded in gaining the confidence of the public in a very short time.

*Initial Difficulties and the War Crisis.*

The path of the bank was not strewn with roses, however. On the contrary, it met from the beginning with quite a number of serious difficulties. Of these, the principal was due to the fact that the machinery of the organizations of the "second order" still remained undeveloped, that its development was beyond the influence or the control of the Moscow People's Bank. The zemstvo funds of small credit were quite inadequate as substitutes, and the Moscow People's Bank never developed intercourse with them on a large scale. As to unions of coöperatives, we have seen that their growth began during the War only. But under war conditions, with changes in the normal course of money circulation and of credit transactions, many unions instead of serving as regulatory agencies for the movement of funds between coöperatives had developed into a kind of pumping device designed to draw the largest possible amount of money from the money market. The Moscow People's Bank struggled against these difficulties with comparative success, until the time when its organization was destroyed by events over which it had no control. We shall now proceed to analyze in greater detail the operations of the bank during its brief existence and to examine the effects of the War on its condition and development.

On January 1, 1914, the liabilities of the Moscow People's Bank presented the following condition:<sup>10</sup>

<sup>10</sup> *Report (Otchet) of the Moscow People's Bank for 1914*, Moscow, 1915, p. 3; cf. also balance sheets of the bank for that period.

	<i>Amount</i> <i>(in thousands of rubles)</i>	<i>Percentage</i>
Share capital and reserve	1,004.5	23
<i>Deposits:</i>		
(a) Time deposits	556.2	12.7
(b) Savings deposits	195.8	4.5
(c) Current accounts and call deposits	1,510.9	35.1
Correspondents' accounts	319.6	7.5
Rediscounts and special current accounts	425.5	9.8
Goods department	110.1	2.6
Net profit	48.4	1.1
Other liabilities	132.5	3.7
 Total	 4,303.5	 100

A total of 4,303,500 rubles is not impressive, when considered by itself. The fact, however, that it had increased fourfold in the one and one-half years since the founding of the bank was undoubtedly indicative of a wholesome tendency. The structure of the liabilities at that time appears normal: The share capital and reserve combined formed about one-fourth of the total operating funds of the bank; over one-half, 52.3 per cent, was constituted by deposits, which were to a great extent time deposits. These two principal items together formed three-fourths of the operating funds. Only about one-tenth of the liabilities represented borrowed funds. Toward the middle of 1914 the deposits showed a small increase, but their relative importance diminished owing to the growth of rediscounts, which reached the figure of 1,800,000 rubles, or almost one-fourth of the total. However, deposits still formed over one-third of all resources, and together with the funds owned by the bank they amounted to over 60 per cent. The structure of the liabilities was thus still normal on the eve of the War. There was nothing threatening in the growth of rediscounts; on the contrary, it was proof of the strengthened credit of the bank and of the growing confidence which it enjoyed in the money market.

The deposits at that time came from two nearly equal groups, namely, from private persons, and from various coöperative organizations among which credit coöperatives predominated. The war years brought about a marked change in this distribution, as may be seen from the following table showing the amounts of annual deposits from both sources in 1915 and 1916:<sup>11</sup>

<sup>11</sup> Antsiferov, p. 173.

	<i>Deposits of coöperative organizations</i>		<i>Deposits of private persons and firms</i>	
	<i>1915</i>	<i>1916</i>	<i>1915</i>	<i>1916</i>
	<i>(in thousands of rubles)</i>			
Current accounts	2,091.8	7,532.8	3,573.2	16,768.6
Conditional current accounts*	2,385.9	1,242.4	862.0	2,103.4
Time deposits	151.8	926.7	812.0	1,466.7
Call deposits	10.4	10.0	10.4	74.8
Savings deposits	3.1	—	966.0	2,362.9
	<hr/>	<hr/>	<hr/>	<hr/>
Total	4,643.0	9,711.9	6,223.6	22,776.4
Percentages	42.4	30	57.6	70

\* "Conditional current accounts" were very common in the practice of co-operative institutions including the Moscow People's Bank. They differed from the ordinary current accounts by the introduction of a special condition established by agreement between the bank and the client; the payments from this account were made subject to the fulfilment of this condition. For instance, a cheque presented for payment shall not be cashed before a specified number of days, and not immediately as is the usual practice. Or payments to persons other than the depositor shall be made on the taking place of a specified event such as marriage, birth of a child, death of the depositor; in the last named case the condition acquired the nature of a testamentary disposition which was very convenient for a number of technical reasons.

Thus, on the one hand, deposits as a whole increased very considerably, and, on the other, a growing proportion of deposits came from private depositors beginning with 1915 and especially in 1916. The latter fact shows that the credit of the bank was steadily improving, and that it was enabled to a growing extent to secure new funds from outside sources.

On examining the assets of the bank in the pre-war years, we find that in accordance with its main object, and the resolution of the first general meeting of shareholders, short-term loans to coöperative organizations formed the principal activity of the bank. All through the pre-war period the absolute amount of this operation was increasing, while its relative importance remained practically unchanged, the proportion of loans forming four-fifths of the total assets:<sup>12</sup>

<sup>12</sup> Annual returns of the Moscow People's Bank.

	<i>Bills discounted</i>		<i>Special current account</i>		<i>Time loans</i>
	<i>(In thousands of rubles)</i>	<i>(Per- centage)</i>	<i>(In thousands of rubles)</i>	<i>(Per- centage)</i>	<i>(In thousands of rubles)</i>
January 1, 1913	1,204	51	726	30.5	—
April 1, 1913	1,793	58	807	26.1	—
July 1, 1913	2,227	61.7	834	23	0.02
October 1, 1913	2,222	62.2	603	16.9	11.1
January 1, 1914	2,651	61	725	16.6	9.5
April 1, 1914	4,057	62.9	1,317	20.2	14.7
July 1, 1914	4,881	66.3	1,232	16.6	9.5
January 1, 1915	3,272	39	1,343	16.1	—
April 1, 1915	3,367	33.2	1,537	15.2	0.2
July 1, 1915	3,406	21.2	2,340	14.2	0.2
October 1, 1915	4,306	20.5	4,417	21	192.7
January 1, 1916	8,180	15	4,917	17.7	39.2
July 1, 1916	5,195	12.2	8,860	21.1	—
January 1, 1917	10,308	12.4	20,556	24.7	1,011.1

The main operations of the bank therefore consisted in granting short-term credits to various coöperative institutions, a policy perfectly sound and natural in the initial stage of its development. Of the two principal forms of crediting, the discount of long- and short-term bills was by far the more important while the more complicated form of special current accounts lagged behind, which is easily accounted for by the weak state of the credit unions at that time. The clientele of the bank consisted chiefly of individual associations, and for these borrowers credits in the form of special current accounts were neither customary nor expedient. In 1915, however, the relation between the two groups of transactions became altered: discounts were losing ground, while special current accounts maintained their position among other assets and even grew in volume. These changes were due to war-time conditions and to the development of coöperative unions.

In addition to its main operation, the board of the Moscow People's Bank was endeavoring to establish and to strengthen connections with the various regions of the Empire, which was reflected, as far as banking technique is concerned, in the building up of a net of correspondents. These included a variety of organizations—private banks, zemstvo funds, unions of coöperatives wherever they existed, and a few individual coöperative credit societies. The correspondents' accounts formed from 8 to 16 per cent of the assets in that period. If they are added to the three forms of credit shown in the



table above, the sum will represent nearly the total assets, except for a few minor items, such as cash, amounts in transit, etc.

The credit operations developed normally, and the debtors were meeting their obligations in a very satisfactory manner. Thus, in 1913, out of a total of discounts amounting to 7,366,000 rubles, 5,949,000 rubles, or 80 per cent, were repaid; in 1914, discounts amounted to 11,541,000 rubles, and repayments to 10,255,000 rubles, or 88 per cent. Protested notes figured in the balance sheet of January 1, 1914, for an amount of 5,800 rubles, and in that of June 1, 1914, for 5,000 rubles only, or 0.0007 per cent of the total assets. It may safely be said that there was not a single private bank in Russia where the situation was so satisfactory with regard to the amount of protested bills.

Yet general conditions were by no means very favorable at the time when the Moscow People's Bank started its activities. It had to contend with a number of obstacles, resulting partly from its own internal structure, and partly from circumstances over which it had no control. The greatest handicaps were the insufficient size of the capital stock, the distrust or even hostility with which the bank met in leading banking quarters, the refusal of the State Bank to grant it any credit, and a number of unfavorable conditions of a general nature in the money market which confronted the bank at the early stage of its work.<sup>13</sup>

In spite of all these drawbacks, which were far from indifferent for a young organization, the Moscow People's Bank succeeded in

<sup>13</sup> In a general survey of the work of the Moscow People's Bank in 1913 its Chief Accountant described those conditions: The bank entered its second year under very unfavorable conditions in the world money market, caused by the Balkan war. As early as October 5, 1912, the discount rate had been raised in London to 5 per cent; in Berlin to 6 per cent, on November 11, and in St. Petersburg, from 5 per cent to 5½ per cent on October 17, and to 6 per cent, in December, 1912; these rates were maintained throughout the year under consideration. In spite of these unfavorable conditions, the Moscow People's Bank had to incur liabilities and to resort to rediscount in order to meet the demand for funds on the part of coöperatives. In the meantime, the interest rates at private banks had increased to 7½ per cent, plus a commission. The bank had to use this expensive credit in order not to be compelled by the lack of funds to refuse loans to coöperative organizations of good standing. However, "the indebtedness of the bank to private banks began to drop sharply since October 1, 1913, and in November the bank already had to deposit some surpluses with private commercial banks. This

concluding its second year, which was the first full calendar year of its operations, in a very satisfactory manner. It had prepared the field for the doubling of its share capital, and it paid a 4 per cent dividend on its shares for 1913, after effecting the usual deductions for the reserve and other funds.

The bank entered the year 1914 under promising auspices. Its situation was so firm that the board found it possible to reduce the discount rates for coöperatives, beginning with February 15, to 6.75 per cent for short-term bills, and to 7 per cent for nine-month paper, which was lower than the prevailing market rates. During the first half of the year 1914 the operations of the bank developed favorably and expanded very rapidly. This was facilitated by the general conditions in the money market, which were stable and undisturbed, with a definite tendency toward the lowering of discount rates. These conditions continued to the very moment of the outbreak of the World War.

The first effect of the War crisis, as far as banking was concerned, was a sudden rise of the interest rate in all important money centers. Even the Bank of England found itself compelled, for a short time though, to raise its rate to an unprecedented height (10 per cent on August 13). The State Bank of Russia advanced the discount rate to 6.5 per cent on July 30, and some of the private banks, to 10 per cent plus a commission.

In the first few days that followed the beginning of hostilities a veritable panic broke out among the depositors at private banks and at the savings banks, who were waiting in line from early morning to get their money back. According to the data of the State Bank, 198,000,000 rubles of deposits were withdrawn from the banks in the first thirteen days, and the amount withdrawn had reached 357,000,000 rubles by October 1. This condition was naturally bound to affect the Moscow People's Bank as well; in the first three days of the crisis it had to repay deposits aggregating 288,000 rubles. The panic among the depositors of the Moscow People's

was a repetition of developments that took place in the beginning of the first year of the bank's operations. . . . We thus see a feature that is peculiar to the Moscow People's Bank, namely, a surplus of fund at a season when the demand for funds is usually greatest at commercial banks, i.e. at the time of the year when the grain marketing operations are at their height." Quoted in *Kooperativenaya Zhizn*, 1914, No. 5, pp. 375 *sqq.*

Bank did not last long, however, not beyond August 2.<sup>14</sup> In all, 520,700 rubles had been withdrawn to that date—an amount which though not large in itself, was of great weight for a young bank standing in danger of suspending payments. But the bank survived the crisis, thanks to the skill displayed by its board in handling the situation, and also to the fact that the State Bank gave up at last its attitude of indifference and came to the aid of the Moscow People's Bank by granting it credit, at first for the very modest amount of 200,000 rubles, on July 23, which was increased later to 800,000 rubles.

At the end of sixteen anxious days the situation of the bank improved considerably. Not only did the withdrawals of deposits end, but they began to flow back into the bank, at a steadily increasing rate. On October 1 the amount of deposits held by the bank was already higher than it had been on July 1, and by the end of the year deposits exceeded by 1,348,000 rubles the amount of deposits in the middle of the year. The bank was enabled not only to carry on its operations normally, but also to offer loans to coöperative organizations on easier terms, by decreasing the discount rate below what it had charged at the outbreak of the War, although even at that time its rate did not go above 6.25 per cent.

A survey of the operations of the bank for 1914 described the situation as follows:

Despite all difficulties caused by the exceptional circumstances, the Moscow People's Bank has succeeded, on the whole, in maintaining its economic position intact, and in concluding the year 1914 with a net profit of 100,783 rubles. The gross profits amounted to 521,304 rubles, or 265,277 rubles more than in 1913. A few additional figures will show better the remarkable expansion of the general operations of the bank during this year. At the beginning of the year, the balance sheet of the bank showed liabilities of 4,303,531 rubles; on December 31 they had risen to 8,430,610 rubles, distributed as follows: amounts received from private persons and concerns, 5,000,734 rubles; amounts received from coöperative organizations, 3,429,776 rubles. The general turnover had increased in the same proportion, namely, from 56,000,000 rubles in 1913, to 100,200,000 rubles in 1914. The first place among the liabilities is held by deposits and current accounts, which amounted to

<sup>14</sup> All dates in this monograph are given in accordance with the Russian calendar.



3,845,325 rubles on January 1, 1915, as compared with 2,262,925 rubles on January 1 of the preceding year. This growth of deposits has enabled the bank to expand its loan operations as well. It was in a position, in 1914, to open credits to various coöperative organizations for a total amount of 11,541,574 rubles, as compared with 4,175,224 rubles in 1913. The total transactions between the bank and the coöperative organizations that functioned as its correspondents increased by 10,957,961 rubles as compared with the preceding year and attained an aggregate amount of 32,803,307 rubles. The collection service also developed in a very satisfactory manner, reaching a total of 3,264 collections for the first time, for a total of 923,584 rubles.

This general improvement of the standing of the Moscow People's Bank enabled it to participate, as did other joint-stock banks, in the floating of the domestic 5 per cent loan, of which it undertook to place 1,400,000 rubles.

On the whole, not only did the terrible economic crisis caused by the European War not weaken the young central credit institution of Russian coöperation, but it enabled, on the contrary, the Moscow People's Bank to strengthen its reputation as a trustworthy financial organization and one that is solid enough to withstand trial.<sup>15</sup>

This appreciation is particularly valuable coming as it does from the International Institute of Agriculture, an entirely unbiased and disinterested authority.

#### *Operations during the War.*

The first year of the War thus passed without any harmful effects upon the Moscow People's Bank, and the future, in spite of the War, seemed to hold out the promise of even greater progress. The coöperative organizations were growing, the confidence in the bank was spreading far, its capital was doubled, the State Bank was granting more credit facilities which naturally facilitated rediscounts at private banks as well. And indeed the rapid expansion of the operations of the bank may be seen from the following totals as shown in its balance sheets:

<i>In millions of rubles</i>	
Beginning of 1916	27.7
Middle of 1916	42.0
Beginning of 1917	83.4
Middle of 1917	148.8
April 1, 1918	528.6

<sup>15</sup> *Bulletin des Institutions économiques et sociales*, 1915, No. 8, pp. 33 sqq.



Thus, in the space of two years and three months, the totals had increased nineteen times. Allowance has to be made, of course, for the depreciation of the ruble. That depreciation was less in terms of values in the domestic market than when expressed in forms of foreign exchange. But even if full allowance is made for depreciation, and the values are expressed in the terms of the most stable foreign currencies, it will be found that the increase was better than sixfold.<sup>16</sup>

At the same time, however, there developed certain difficulties in the internal working of the credit machinery. A number of factors have to be analyzed separately in this connection.

There were, in the first place, the several war loans. The domestic loans were naturally floated with the aid of the banks, each bank being allotted its pro-rata amount of bonds, which it undertook to place with the public. The Moscow People's Bank regarded itself as morally bound to contribute its share to that patriotic cause, and it did to the extent of its resources. It took a part in the realization of the 5 per cent loan of 1914, the 5 per cent loan of 1915, the 5½ per cent loan of 1915, and the 1915 short-term 5½ per cent loan. The amount of war loans placed through the agency of the Moscow People's Bank had attained a total of 10,400,000 rubles on January 1, 1916, and over 20,000,000 rubles in 1917.<sup>17</sup> The presence of government bonds in the portfolio of the bank, temporary though it was, meant, on the other hand, increased borrowing by the bank in the market, that is, an increase in its rediscounts, as is seen from the following figures:<sup>18</sup>

	<i>Assets</i> <i>Government or gov-</i> <i>ernment secured</i> <i>bonds</i> <i>(in thousands of rubles)</i>	<i>Liabilities</i> <i>Special current accounts</i> <i>at the State Bank and</i> <i>at private banks</i>
January 1, 1915	1,447.2	1,119.1
July 1, 1915	6,344.7	4,725
October 1, 1915	7,887.4	7,015
January 1, 1916	10,674	11,037.7
July 1, 1916	11,966.4	10,454.3
January 1, 1917	16,844	19,875

<sup>16</sup> The ruble was quoted in London at 116 to 118 to £10 on January 1, 1915, and at 358 to 362 on January 1, 1918.

<sup>17</sup> *Report of the Moscow People's Bank for 1914*, p. 3; *Report of the Moscow People's Bank for 1915*, pp. 2, 31 sqq.; also monthly balance sheets of the Moscow People's Bank.

<sup>18</sup> Monthly balance sheets of the Moscow People's Bank.

As the liabilities thus incurred were covered by first-class securities, the expansion of the rediscount operation did not constitute any anomalous or threatening development for the Moscow People's Bank. However, it had the effect of tying up a considerable portion of the working capital of the bank and of preventing it, to that extent, from meeting the credit needs of coöperative organizations, which were growing rapidly as a result of the growth of unions of coöperatives. Whereas up to 1915 there had existed but a few isolated unions, the Moscow People's Bank had as clients for its loans 240 unions in 1917, and over 500 individual coöperative societies and institutions.

The following table shows the war-time growth of discount operating, that is, of the crediting of coöperative organizations by the Moscow People's Bank, as well as the amounts of loans repaid each year:<sup>19</sup>

<i>Year</i>	<i>Discounts and loans</i>		
	<i>Amount advanced each year</i>	<i>Amounts repaid</i>	<i>Percentage of advances</i>
	<i>(in thousands of rubles)</i>		
1914	11,541.5	10,255.5	88
1915	24,867	20,253	80
1916	98,400	74,300	75
1917	506,000	366,000	72

We have pointed out elsewhere the fact that the local coöperative organizations, both credit associations and loan and savings associations, were facing a decreased demand for loans during the War, and that they were accumulating free funds. Yet, as the table above shows, the demand for credits which the central bank had to meet was growing by leaps and bounds. This is accounted for by the growth of unions of coöperatives. We have seen that the movement for the organization of unions, which had been artificially delayed at first, became extremely powerful now that administrative interference was done away with. Unfortunately the federative movement proceeded under abnormal conditions of war-time. Unions were created in great haste, often without sufficient preparation, and in almost all instances without sufficient capital or operating funds. There appeared a large number of unions of consumers' societies. In addition, the crisis that set in in the general market compelled

<sup>19</sup> *Report of the Moscow People's Bank for 1915*, p. 62.

many unions of societies other than consumers' to organize the purchasing of articles of consumption in order to supply their members, or simply to resell them at a profit. Under such circumstances, it was natural that tremendous demands should be made upon the central bank, which it was in no position to meet in spite of its intense and successful efforts to increase its operating funds. As a natural consequence of the same process, the new credits granted by the bank were utilized in a somewhat one-sided manner and not quite in accordance with its basic objects, and served for consumption rather than for productive purposes. The organizations that were obtaining funds through the bank were chiefly unions of consumers' societies and other unions which had assumed analogous functions. Coöperative credit was thus deprived of the solid foundations on which it rested as long as it remained a producer's credit, and was shifted to the uncertain ground of consumption credit.

There was another factor at work, which we have also indicated above. Unions of coöperatives were showing great zeal in starting production for their own account, through the purchase or the establishment of industrial plants and factories. This required the long-term investment of considerable amounts, such as the unions did not and could not have. They had no other course left than to apply for funds again to the same source, the Moscow People's Bank. But as has been shown by the balance statements quoted above, the funds the bank had at its disposal practically all represented short-term liabilities, if we except the capital and the reserve, which formed but a small part of its liabilities. In fact, it could not be otherwise, as its structure was from the beginning that of a bank for short-term credit. The new problem which the bank was thus facing was an extremely difficult one and it was further complicated by war-time conditions. It was considered by the Council of the bank as early as in 1916, with the result that a motion was introduced in favor of the establishment of a special department of long-term credit at the bank. The proposition was submitted to the general meeting of shareholders, and it was approved by two successive meetings, in April and in June, 1917.

The plan of the department of long-term credit was carefully worked out, but it was adopted at a time when the Revolution was already under way, and it therefore met with extraordinary difficulties. If for no other reason, it could not be carried out at once be-

cause of the fact that the agrarian reform inaugurated by the Provisional Government made extremely difficult, indeed well-nigh impossible, the mortgaging of real property, which was to be the chief security for long-term loans. And before long the course of revolutionary events made all normal credit operations practically impossible.

The plan was thus never materialized. However, not only did the demand for long-term credit not stop, but it showed a definite tendency to grow rapidly, especially on the part of the large unions of consumers' societies, in connection with their feverish activity in the field of production. Nominally the bank continued to open credits in the usual short-term form, but actually they were changing into long-term credits and becoming frozen assets, which strained the resources of the bank and deprived them of all elasticity. The management of the bank was powerless to combat this anomalous condition, owing to the tremendous influence which the unions, especially those of consumers' societies, acquired in the beginning of the revolutionary period. The management had therefore no other course left to it but to meet the demand for credit to the full extent that was practically possible, and to draw unremittingly, by means of rediscounts, upon the funds of the State Bank, which had by that time opened wide facilities for the financing of coöperative credit organizations. This method was convenient as far as immediate requirements were concerned, but in the long run it was full of danger, especially as the assets of the bank were thus losing all elements of liquidity.

The financial results proper of the work of the Moscow People's Bank were, on the whole, entirely satisfactory, if the difficult economic conditions are borne in mind. The following table shows the annual net profits and dividends of the bank from its beginning to 1917:<sup>20</sup>

	<i>Net profits</i> <i>(in thousands of rubles)</i>	<i>Percent of share</i> <i>capital</i>	<i>Dividend</i>
1912	4.5	0.45	—
1913	48.3	4.83	4
1914	100.7	5.03	4
1915	119.9	5.99	4.5
1916	206.9	10.03	6
1917	872.7	8.72	6

<sup>20</sup> Annual reports of the Moscow People's Bank.



The period during which the bank was allowed to enjoy anything like normal development was exceedingly short, from May, 1912, to March, 1917. It was, of course, utterly inadequate for the building up of a central bank of coöperative credit. However, the bank has done invaluable work as a pioneer. It should be remembered that similar experiments in western Europe were even less successful in spite of more favorable conditions.

*Branch Offices of the Bank.*

In the pre-war period, when unions of credit coöperatives were almost totally absent, the Moscow People's Bank was compelled to start a policy of territorial expansion and to endeavor to build up a system of branch offices. In this endeavor it encountered innumerable obstacles. In most instances, when a new branch was opened, the bank met with open or thinly disguised hostility on the part of the local coöperators, especially in those localities where a union of coöperatives had already been established or was planned. Instead of coöperation there thus developed a peculiar kind of rivalry. The branch of the bank interested the local organizations chiefly to the extent that it could be fleeced, and this they did very thoroughly. The result was that the branches soon saw their funds exhausted and appealed to the main office for aid, while the main office, for its part, counted on the support of the branches.

A few figures will give an idea of the growth of branches. In 1916 there were only two permanent branches, one in Rostov-on-Don, and the other in Novo-Nikolaevsk, western Siberia, and one temporary office, at the fair of Nizhni-Novgorod. In addition, there was a foreign agency in London. In 1917, the number of branches and of agencies, the latter performing the same functions as the branches, was 12 in Russia and 2 abroad. In the middle of 1919, there were, in addition to the two foreign agencies, 38 branches functioning in 23 cities in Russia; Moscow, Petrograd, and Kharkov had several branches each. By the end of 1919, 35 Russian cities had branches of the Moscow People's Bank, and the number of branches had reached 53, not counting three offices abroad.

This shows that neither the War nor the Revolution had checked the territorial expansion of the Moscow People's Bank; they had rather contributed to increase its intensity. Yet the general condi-

tions, beginning with 1917, had become unfavorable for this process. The expansion of the net of branch offices was going on at a pace that was not justified by the position of the bank at that time with regard either to the volume of capital, or to that of operating funds, or to the rate of turnover, or to the elasticity of its assets. While the bank was exerting strenuous efforts to enlarge its capital stock, the resolutions in favor of increasing it to 100,000,000 rubles remained on paper only. By January 1, 1918, the capital had been increased only to 10,000,000 rubles, of problematical value at that time in view of the collapse of the national currency.<sup>21</sup> Furthermore, the activities of the bank were practically paralyzed, following upon the Bolshevik Revolution. At the same time the demand for credits on the part of the unions of coöperatives continued to grow steadily, and under their pressure branch offices of the bank continued to be formed by sheer force of inertia.

The creation of new branches was further complicated by two factors. First, it was difficult to recruit an adequate personnel and especially to have managers sufficiently qualified for their duties. This difficulty had to be contended with even in Moscow, where there was a sufficient supply of educated men. Persons with a considerable banking experience did not enter the service of the bank, partly because its stability was questioned in the business world, and partly because it was in no position to offer to trained experts the inducement of higher salaries paid by private concerns. Furthermore, work at the Moscow People's Bank required, in addition to technical training, an understanding of coöperation and an ability to cope with the specific practical tasks of a coöperative bank. The combination of such qualifications in one person was very exceptional in Russia. The bank, therefore, had to content itself with whatever material it could get, especially if the candidate professed sympathy with and devotion to the principles of coöperation. In the provinces the personnel problem was much more difficult, especially because the local workers preferred to see one of their own at the head of the branch office and were reluctant to accept a stranger. The staff of the main office was small and overburdened with work, and the great distances between the branch offices made control and direction of their activities purely fictitious. Every local manager acted as he deemed best, without coördinating his work with that of other branches or

<sup>21</sup> G. F. Lee, *The Russian Coöperative Movement*, Washington, 1920, p. 44.

without even knowing how the other branches functioned, and his actions were not always in conformity with the plans and designs of the main office. Later on, conferences of local managers were started, but they proved of little aid.

And yet another factor made its influence felt in the revolutionary years of 1917 and 1918. At that time most of the branch offices were extremely young, and they had not had the time either to establish firm connections with the coöperative organizations of their respective districts or to strengthen their own machinery. Continued support on the part of the main office was a prerequisite not only of their regular functioning, but of their very existence. But immediately after the Revolution of 1917, under the Provisional Government, branch offices began to break away from the center, both with regard to their operations, as a result of the crisis that affected currency circulation, credit transactions, and money transmissions, and physically, owing to the disorganization of transports. Before the year 1917 was over, Russia had been broken up into a number of separate economic regions, which were making desperate and painful efforts to organize their economic life on independent lines. Not only branch offices located in far distant regions, in Siberia or in the Caucasus, but even such offices as those of Kharkov, or Rostov, normally within easy reach of Moscow, found themselves cut off from the main office and deprived of its guidance and support, and they were compelled to look for a way to carry on some kind of an independent existence and to function in some manner or other at their own risk. In the hard times that the branch offices now had to live through it was but in rare instances that they were able to help one another. As to the local unions of coöperatives, which were the debtors of the Moscow People's Bank, it was only on altogether exceptional occasions, in moments of acute need of funds, that the branch offices met with real support on their part. It may be observed also that the unions which did extend aid on such occasions were rather those with a small area of activity than the larger unions; the latter, on the contrary, managed to come out with demands for new credits precisely at those moments when the branch offices of the bank were in straits. This demand for credits was accounted for, on the one hand, by the zeal of the unions in promoting industrial enterprises of their own, a factor which we have sufficiently discussed, and, on the other, by the fact that money once disbursed by a union,



especially the least depreciated forms of currency, was being hoarded by the people. The outbreak of the civil war at the end of 1917 further aggravated all these unfavorable conditions.

It is obvious that at such times it would have been advisable to give up all thought of the establishment of new branches; yet they continued to be created, and at an increasingly rapid pace, too.

### *Trading Operations.*

As early as in 1913, the second year after its inception, the Moscow People's Bank established a special Goods Department, and similar departments were opened later on in most of the branches of the bank. The idea underlying the Goods Department was to have it as an agency acting in behalf both of the shareholders of the bank and of other coöperative organizations for the joint purchase of goods required for agricultural production and for the joint marketing of agricultural products gathered by coöperatives. Of all coöperative organizations in Russia, the Union of Siberian Creamery Associations was the only one to have an adequate apparatus for purchase and marketing. The Siberian Union, however, operated independently; it had succeeded in establishing regular connections with foreign markets, and it had no need of the services of the Goods Department of the Moscow People's Bank.

In Russia the work of coöperative purchase and sale was not extensively organized, and the Moscow People's Bank had nobody and nothing to lean upon, in the absence of experienced national bodies. The efforts of the bank to build up a regular organization of purchase and marketing were in vain. The appeals which it addressed to coöperative organizations to consolidate and systematize their orders remained fruitless. There was, of course, even less ground to expect this new branch of the Bank's operations to open a new source of working capital. The Goods Department was thus turned into an independent purchasing agency of goods of various kinds in the open market, and its transactions were financed out of the general working capital of the bank. There was no well-defined system of purchasing; nor was there sufficient coördination of purchases between the center and the branch offices, which frequently purchased independently. The purchases of the department never attained an amount that could be of serious importance for Russian agriculture.



Purchases totaled only 1,100,000 rubles in 1914, less than 2,000,000 rubles in 1915, and only in 1916 did they attain the figure of 15,000,000 rubles.<sup>22</sup> In the field of marketing, the work of the Goods Department was of no direct importance, since the various unions preferred to sell independently, and the part of the bank in marketing was confined to a few operations of a banking nature on a commission basis.

In 1917, in the period that immediately preceded the March Revolution, two large organizations for the purchase and production of agricultural machinery and implements, of fertilizers, seeds, etc., were set up by the zemstvos of the provinces of Kiev and of Orel, respectively. With these organizations, and with the Ministry of Agriculture which sponsored their activities, the Goods Department of the Moscow People's Bank entered in a special agreement providing for joint operations. There was thus created a Government-zemstvo-coöperative syndicate, which had what practically amounted to a monopoly in its special field. Following upon the Revolution of March, the Moscow People's Bank was enabled through this combination to avail itself of credit facilities at the State Bank to a much greater extent than it otherwise could, to secure foreign exchange on favorable terms, etc. But in the midst of revolutionary upheavals it became impossible to promote either purchase or production. The management of the bank soon learned from experience what an exceedingly difficult task it was to organize trading operations on a regular national basis. Hence the plan was conceived of separating those operations from the bank as such through the founding of a special coöperative federation of various marketing organizations. Thus was set up the All-Russia Union of Agricultural Coöperation, known by its abbreviated title of *Selskosoyus*. The share of the Moscow People's Bank in the capital of the new union amounted to 250,000 rubles. The *Selskosoyus* inherited all assets and liabilities of the Goods Department of the Moscow People's Bank, but it had almost no operating funds of its own. It was started in an unpropitious hour, when general economic conditions of the country had deteriorated to the extreme.

<sup>22</sup> The nature of purchasing operations, for the year 1917, may be seen from the following percentages: seeds, 13; binder twine, 32; insecticides and fungicides, 22; agricultural machines, 21; and other goods, 12 per cent; cf. annual reports of the Moscow People's Bank.

As part of their endeavors to organize the work of coöperative purchase and marketing, the management of the Moscow People's Bank deemed it necessary to establish direct connections with foreign markets. For this purpose, a branch office of the bank was opened in London at the end of 1915, despite the war conditions, first in the shape of a simple trading agency without banking functions. It was only in 1918 that the agency was transformed into a branch of the bank, and began to accept deposits and to carry on regular banking operations. A trading agency was opened in New York shortly afterward. A branch office was opened in the Far East, at Harbin. In the first three years and four months of its existence, the London office, together with the New York agency, purchased various goods for the following values: in the four months of 1915 for £13,000; in 1916, £410,900; in 1917, £78,800; and in 1918 for only £1,200.<sup>23</sup>

It is thus seen that the activities of the foreign branches failed to produce the expected results; they certainly were insufficient to secure a firm basis for the development of the trading operations of the Moscow People's Bank. This is not surprising, of course, inasmuch as all these activities coincided with the War, the disorganization of transports on a world-wide scale, and with an unprecedented revolutionary movement.

### *Effects of the Revolution.*

When the Revolution broke out, it seemed to many that there was bound to come now a period of exceptional prosperity for the Moscow People's Bank. Under the Provisional Government the attitude of the authorities was one of friendliness and encouragement. The credit of the State Bank became available. A number of prominent leaders in the field of coöperation, including members of the executive staff of the bank, were appointed to high government offices. The bank became engaged in various pursuits of high national importance, under the direction of the Government, especially in connection with the grain monopoly. In reality, the new situation was ripe with danger for the bank.

With the advent of the Bolshevik Government, which at first exempted coöperatives from its nationalization decrees, the Moscow People's Bank was placed in a privileged position. This proved very

<sup>23</sup> Balance sheets of the London offices of the Moscow People's Bank.

unfortunate for it, and to an even greater extent for a number of its large branch offices. A public which was entirely different from the one from which the ordinary clientele of the bank was recruited, was now driven to its doors by the "nationalization" scare and by the hope that they might thus save whatever money they had left. A tremendous rush of deposits set in, accompanied by an extension of credits on the part of the bank. But when the moment came to honor the checks of the new clients, a tragic situation developed. All appeals to the coöperative spirit were in vain. The assets reached the limit of inelasticity, or rather they were becoming susceptible of a change in an upward direction only. At the end of 1918 the Moscow People's Bank, too, was nationalized.

### *Regional Central Banks.*

Some time prior to the Revolution of March, 1917, the tendency appeared in several sections of Russia to establish independent regional coöperative banks which should perform the functions of a central coöperative bank within the limits of their respective districts. This tendency was dictated by a number of causes, some of which may be briefly indicated. In the first place, the Moscow People's Bank had no branch offices in some of those regions. No branch was ever established in a center of such economic importance as Kiev, for instance. In the Caucasus, the Tiflis branch office was opened too late, at a time when the separatist tendencies in Georgia had become very pronounced. Secondly, some of the branch offices, located at very important points, could not meet the requirements of the coöperative movement. Then, too, the personal element and sectional feelings were also not without a certain importance.

Even in 1913, at the time of the second All-Russian Coöperative Congress at Kiev, the delegates of the provinces of Kiev and of Poltava, favored a regional bank of their own. Shortly after the congress adjourned there appeared a draft of the by-laws of an Ukrainian People's Coöperative Bank, abbreviated as *Ukrainbank*. The by-laws, however, were not approved until the Revolution, and it was only after its approval by the Minister of Finance of the Provisional Government that the new bank began its operations, at the end of 1917. The by-laws resembled those of the Moscow People's Bank, the only essential difference being that its activities were confined to certain provinces. The progress of *Ukrainbank* was very rapid, and



it reached the peak of its prosperity during the period of the Hetman rule in the Ukraine. At the end of 1918 the bank had for its shareholders 55 unions of consumers' societies, 34 credit unions, 2 agricultural unions, and 33 unions of the mixed type. In addition, the Moscow People's Bank was a shareholder and one of the original founders.

With an initial capital of 1,000,000 rubles, *Ukrainbank* had a total of assets amounting to 10,000,000 rubles at the end of its first year of operation. On November 1, 1918, the total exceeded 46,500,000 *karbovanets*;<sup>24</sup> deposits totaled over 17,000,000 *karbovanets*, and outstanding loans at 13,500,000 *karbovanets*. The bank opened a number of branch offices in south Russia, and it was not reluctant to compete with the already functioning branches of the Moscow People's Bank. Later on it made some attempt at trading independently in the more important foreign markets. All those performances took place, however, at a time when the coöperative movement in Russia was breaking down, and they could not, therefore, have any success.

The second experiment was made in the southeast of Russia, in Rostov-on-Don. Here the Moscow People's Bank had one of its powerful branches, which had succeeded in establishing connections with the coöperative organizations in the Cossack settlements of the regions of Don, Terek, and Kuban. But the organization of the Southeastern Union of Coöperative Unions gave rise to certain separatist tendencies in the coöperative movement, and, as a result, a regional coöperative bank was set up under the name of Southeastern Coöperative Bank. The bank began its operations early in 1918, and progressed rapidly and successfully in 1918 and 1919, as long as the territory was controlled by anti-Bolshevik forces. In the second year of its operations it opened six branch offices including one at Novorossisk, the important Black Sea port. Branches of the Moscow People's Bank existed both in Rostov and in Novorossisk, but their attempts to reach an understanding with the regional bank and to define their respective fields of activity remained fruitless; the branches of the Moscow People's Bank were, moreover, handicapped by the fact that the civil war had cut them from their main office.

<sup>24</sup> The *karbovanets* was a new money unit nominally equivalent to one ruble, but which was actually quoted at less than one ruble. It is difficult to express these values into anything real.



The third experiment was made in Siberia. It was stimulated by remoteness from Moscow, the peculiar structure of consumers' co-operation in Siberia, friction between the two regional Siberian unions of coöperatives, the civil war, and Siberia's isolation during the rule of Admiral Kolchak. The by-laws of the Siberian Bank of Agricultural Coöperation, drafted by the Union of Creamery Associations, were approved by the Siberian Government, but owing to political events the bank was not started. The only peculiar feature of the Siberian bank, as it had been planned, was that its activities were to be confined strictly to the needs of agricultural coöperation.

## CHAPTER V

### COÖPERATION FOR SUPPLY AND MARKETING

#### *Agricultural Societies.*

IN a country so distinctly agricultural as Russia it is but natural that all forms of coöperation, with the exception of urban consumers' societies, should be closely connected with farming. But this connection was not apparent from the external and formal aspects of coöperative organization. The activities of the organizations of agricultural coöperation proper were comparatively little developed, if certain special types of functional organizations are disregarded. The rural coöperative movement, in reality, found its chief expression in the credit organizations.

There were two types of agricultural coöperation proper,—agricultural societies and agricultural coöperative associations; and within each type there were organizations of a general nature and those with special functions.

We shall first consider the agricultural societies. At the outbreak of the War the three outstanding national societies were the Petrograd Free Economic Society, founded as early as the eighteenth century, and the Agricultural Societies of Moscow and of Kharkov. The first two extended their activities over the whole territory of Russia, while that of Kharkov covered the vast territory of the richest fourteen provinces of south Russia. From the strictly legal and formal point of view none of these societies can be considered as a coöperative organization. However, each one of them has played an important part in the coöperative movement, either in the way of promoting and guiding it in the early stages of growth, or by assuming definite tasks of service in its behalf. This was true in particular of the Moscow Agricultural Society and its Committee on Rural Loan and Savings Associations and Trade Associations, whose activities have been described above, and also of the Kharkov Society which was particularly active in the coöperative movement in the period from 1907 to 1917. The old-established Free Economic Society of Petrograd held a special position. It had practically no part in the promotion of agricultural coöperation, but it achieved prominence as a

center of scientific investigations and as an instrument of public opinion, having a good deal of influence with public men, agricultural experts, and coöperative leaders.

In addition to these three national societies there were a considerable number whose field was much more limited. In all there were 21 agricultural societies in Russia in the beginning of the 'seventies, and 95 in the beginning of the 'nineties. It was only after 1900 that the number of organizations of this type began to grow at a noticeable rate, due in part to the enactment of standard by-laws in 1897 and 1898, which simplified the organization procedure. The growth became rapid beginning with 1906, as may be seen from the following table:<sup>1</sup>

<i>Year</i>	<i>Number of agricultural societies</i>
1901	335
1906	584
1912	3,500
1914	4,685
1915	5,975
1916	6,500

The great majority of agricultural societies, or 94.5 per cent, were of the type known as "general," while those known as "special" societies, that is, organizations concerned with certain specific branches of agriculture as bee-keeping, gardening, poultry farming, etc., were few in number. However, of the twenty largest societies, whose jurisdiction covered the whole territory of Russia, only two were of the "general" type, while the remainder were "special" organizations.

The western borderlands of Russia, which were later separated from Russian territory, were comparatively well supplied with agricultural societies; there were 1,115 in Poland alone, in 1915. If those regions are left out of consideration, the territorial distribution of agricultural societies in 1915 was as follows:<sup>2</sup>

<sup>1</sup> *Selskokhoziaystvenny Promysel v Rossii (Agricultural Industry in Russia)*, published by the Department of Agriculture, Petrograd, 1914. See also *Kooperativnaya Zhizn*, 1916, Nos. 11-12, p. 570, and Nos. 13-14, p. 695.

<sup>2</sup> *Kooperativnaya Zhizn*, 1916, Nos. 11-12, pp. 570 sqq.

<i>Regions:</i>	
Ukraine	583
Industrial	557
Lake	418
Ural	411
Middle Volga	405
Odessa	383
Central Agricultural	370
<hr/>	
European Russia	3,127
Siberia	158
Steppe Region and	
Central Asia	66
Caucasus	118
<hr/>	
Total	3,469

The agricultural societies were in most instances very small organizations. The membership was small even in societies whose area of activity embraced large territories. The following table shows the average membership of the societies by the area of their activities and the period of existence:

<i>Area of activity</i>	<i>Average number of members in a society</i>		
	<i>Societies existing less than 4 years</i>	<i>Societies existing from 4 to 6 years</i>	<i>Societies existing 10 or more years</i>
Less than a <i>volost</i> (canton)	46	85	89
One or several <i>volosts</i>	59	71	96
One or several districts	91	110	90

The table seems to indicate that while the membership was gradually increasing in societies with a small area of activity, it remained almost stationary in the larger societies.

Among the agricultural societies of the general type, which, as we have said, was the more important group numerically, the great majority were small organizations, with an area of activity not extending one *volost*;<sup>3</sup> thus 72.8 per cent covered a territory of one *volost* or less, 17.1 per cent covered several *volosts*, 7.5 per cent covered one or more districts, while only 2.6 per cent had a territory of a province or more. Societies whose jurisdiction did not cover even the territory of a district thus formed about nine-tenths of the total number.

<sup>3</sup> Rural administrative unit comprising two or more village communities.



On the other hand, agricultural societies with special functions covered in most instances a rather large territory, that of a whole district or more; 69.7 per cent of special agricultural societies were of this larger size. Societies of this type, however, had just begun to grow, and were not as yet playing an important part in the economic life of the country.

The local rural population often displayed considerable interest when new agricultural societies were being founded, but in most cases their organization and subsequent progress depended more upon the sponsorship of the zemstvos, the large agricultural societies, and the Department of Agriculture. This explains why these societies were found chiefly in provinces with zemstvo institutions especially where the latter were interested in economic improvements. For instance, in the provinces of Vologda, Perm, and Poltava the activities of the zemstvos were combined with those of large and active agricultural societies, with the result that they built up a system of small agricultural societies for the spreading of agricultural knowledge among the peasants, of measures known as "agronomic assistance to the population." These included such activities as the establishment of experimental fields, stations for the leasing of agricultural machines and tools, model fields, nurseries, the provision of improved seeds, fertilizers, equipment for bee-keeping and gardening, lectures on technical and economic problems relating to agriculture, the distribution of special literature, etc. In the last years that preceded the War, as well as during the War, the zemstvos and the agricultural societies were actively encouraged in this work by the Department of Agriculture, which granted them subsidies of considerable amount for that purpose.

The financial resources of the small agricultural societies were, as a rule, very limited, if not altogether negligible. The annual contribution of the members was from 50 copecks to one ruble, rising to 1.50 rubles in the larger societies only. Thus, even if the members paid their dues regularly, the smaller societies could not derive from this source more than 100 rubles a year, and usually they received much less. In other words, these societies subsisted only on the subsidies which they succeeded in obtaining from the Government or from the zemstvos. Even including subsidies, the annual income of a small society was perforce very modest. According to official data, 55 per cent of the societies had an annual income of less than 500

rubles, 37 per cent had less than 300 rubles, and 17 per cent of the total number of societies had an income under 100 rubles. It is obvious that their budgets precluded the possibility of undertaking any tasks of importance in the way of improving the general standards of agriculture with any chance of success.

Furthermore, under the provisions of the standard by-laws the members were not liable with their property for obligations incurred by an agricultural society. Although the Ministry of Agriculture later authorized a number of societies to amend their by-laws so as to provide for the liability of members, to a limited amount, in cases of liquidation and insolvency, very few societies availed themselves of that opportunity. Since the property owned by the societies was negligible, the absence of members' liability deprived them of credit facilities with coöperative institutions, banks, and zemstvo funds. It was natural, therefore, that the agricultural societies should follow the line of least resistance and concentrate their activities on the so-called cultural and educational work, which was inexpensive. It is wrong then to compare these societies with the coöperative credit organizations endowed with economic tasks and special economic functions. On the other hand, it would be a mistake to dismiss entirely the small agricultural societies or to deny them any importance. They were organizations in the embryonic stage, on the whole. But even before the War there were a few individual instances of sound and vigorous development, and there can be no doubt that the agricultural societies would have become a very valuable factor in the general promotion of agriculture, had they been given the opportunity to reorganize under the provisions of the coöperative law enacted after the March Revolution.

#### *Agricultural Associations.*

The second class of agricultural coöperatives were those known as agricultural associations. Their existence formally dates from the year 1897, when the Department of Agriculture approved the standard by-laws for organizations of this type. In 1898 a new standard was approved, which considerably improved the internal structure of the associations and brought them nearer the pure type of coöperative organizations. It was beginning with that year that their growth assumed noticeable proportions, particularly pronounced in the years before the War; thus while in the twenty years from

1898 to 1908 less than ten new associations were founded each year, the three-year period, 1907 to 1909, witnessed the organization of 106 associations, and the next three-year period, 769 associations. On January 1, 1913, there were 903 agricultural associations in existence, and the number increased to 1,254 by the beginning of 1914. And it was the special type, interested in one specific branch of agriculture, which grew most rapidly, just the reverse of what we have seen in the case of the agricultural societies. On January 1, 1914, the special associations formed nearly 70 per cent of the total number of coöperative agricultural associations then in existence; of the special associations, about three-fourths were those connected with dairy farming; those organized for the joint purchase of machinery and implements numbered 132; bee-keeping associations numbered 22; vine-growing and gardening were 18 in number, etc. The general associations numbered 386.

Over one-half of all agricultural associations were located in territories which later separated from Russia, in Poland, Livonia, Esthonia, and Courland, only 589 associations being in the rest of Russia, nearly all in European Russia.<sup>4</sup> The provinces which had the largest number of associations were those of Vologda with 100 associations, almost exclusively in dairy farming; Kuban with about 80 associations, mostly of the general type; and the southwestern provinces of Kiev and Podolia with 36 associations.

The coöperative agricultural associations, with the exception of the dairy and creamery associations, had the same shortcomings as the agricultural societies. The associations for the joint purchase of agricultural implements were often simply adjuncts of credit associations, through which were effected all purchasing operations as well as the necessary credit arrangements. It is true, the reverse process could also be observed in some instances, where an agricultural association figured as the founder of a credit society and thus created the source from which its own operations were to be financed; in such instances the agricultural associations resembled the type of the French agricultural syndicate. But on the whole, the coöperative agricultural association gave proof of greater vitality than the small agricultural society. On the eve of the War, their aggregate turnover amounted to about 20,000,000 rubles.

<sup>4</sup> We do not consider here the highly developed creamery associations in Siberia, which will be discussed in a separate chapter.



Not in a few instances these associations were capable of useful leadership and extensive activities. One example will suffice:<sup>5</sup>

The peasants of the Semenov district, in the province of Nizhni-Novgorod, have long been firmly convinced that agriculture in their district offered no attractions owing to the poverty of the soil. The greater part of the peasant holdings remained untilled and the peasant families supported themselves by rural (*kustar*) industries. The growth of rural industries has for many years been facilitated by the abundance of wood and the proximity of the fair of Nizhni-Novgorod. The zemstvo and the credit associations, however, succeeded in proving that if the rural handicraftsman took better care of his land, and especially if he gave attention to the more profitable aspects of agriculture, such as flax-growing or cattle-raising, the improvement of these branches of farming was soon bound to have the indirect effect of raising the profits from his handicraft as well, since larger returns from his farm would enable him to curtail production in his trade and get better prices for the products of rural industries. The agricultural association of Pyatnitsk, of the same province, working in close collaboration and with the financial support of the local credit association, has succeeded in putting into operation the following measures: (1) the association promoted agricultural education through pamphlets, lectures, and advice in connection with the granting of credit to their members, as well as by general discussions of agricultural questions at their meetings under the guidance of the zemstvo agricultural experts; (2) an experimental farm of 15 deciatines (40.5 acres) cultivated by the members of the agricultural association, served as a practical demonstration for improved agricultural machinery, improved rotation of crops, and the effects of artificial manures; (3) the establishment of a model vegetable garden has led to the increase of interest in vegetable-growing among peasant women and the rapid development of this industry in districts where it was previously entirely unknown; (4) a depot of the most up-to-date threshing and winnowing machines was established for the use of local farmers; (5) an increase in the number of live stock has been effected by extending the acreage of sown grass, while the standard of breeding has been raised by the establishment of stock-breeding stations; (6) in order to facilitate the marketing of milk a large butter-making plant was erected, with the support of

<sup>5</sup> *Vestnik Melkago Kredita*, 1914, No. 46, pp. 1795 *sqq.*



the zemstvo; and (7) the same agricultural association has devised a scheme for the construction, with the support of the credit association, of a steam mill specially fitted for the production of linseed oil.

The War did not stop the growth of agricultural coöperatives in Russia proper. By January 1, 1916, the total number of agricultural associations increased to 1,829, of which 533 were associations of a general character and 1,296 special. Among the latter the first place was still held by the dairy associations, which numbered 898; the next largest group was that of purchasing associations, which included 168 organizations. Finally, in connection with the supply of clothing to the army, the associations of rural handiercraftsmen (*kustar*) had also developed to a considerable extent, counting nearly 600.<sup>6</sup>

The latest census of agricultural associations was that carried out by the Ministry of Agriculture on August 1, 1916. On that date, the number of associations was 1,981, which was an increase of 213, or 12 per cent, since the beginning of that year, or an increase of 50.6 per cent over their number on January 1, 1914. While, therefore, the growth of associations may appear slow if absolute numbers are considered, the rate of growth was indeed large. The official report declared:

Despite the fact that agricultural associations have not had the benefit of any special assistance, either financial or in the way of advice and direction, they have shown sufficient stability during the War and the promise of sound development in the future. . . . The War afforded them the opportunity of developing trading and intermediary activities on a considerable scale, but they are still suffering from their old infirmity, their weakness in financial resources, which is especially true of the recently organized associations. The aid of the zemstvos has so far been of a casual and uncertain nature.<sup>7</sup>

However, the War brought about certain substantial changes in the attitude of the zemstvos, which suffered not so much from indifference as from the lack of a well-defined and consistent policy. The new interest now displayed by the zemstvos was chiefly in connection with the work of coöperative associations for the provisioning of the army. A number of zemstvos were working jointly with agricultural associations to provide the army with canned fruits and vegetables,

<sup>6</sup> *V'estnik Melkago Kredita*, 1917, No. 1, pp. 27 sqq.

<sup>7</sup> *Ibid.*, No. 4, pp. 164 sqq.

and beginning with the second year of the War special associations began to be created for the drying of potatoes, fruit, vegetables, for the preparation of vegetable extracts for vegetable soups, and for vegetable beverages used at the front as substitutes for tea. Such associations were organized in the provinces of Kostroma, Nizhni-Novgorod, Yaroslav, Poltava, Kharkov, Voronezh, etc. While there are no precise data with reference to the volume of supplies of this kind, it is certain that over 50 per cent of the requirements of the army in canned fruit and vegetables was met through the joint work of zemstvos and coöperative associations. The work of coöperatives in this field was greatly facilitated by the fact that they were in a position to obtain sufficient operating funds for this purpose from the army appropriations, through the medium of the provincial zemstvos, the All-Russian Union of Zemstvos, and the supply agencies. Wherever the zemstvos took an active interest in the work, and undertook to aid the associations with machinery and the organization of marketing, production was progressing rapidly and successfully. These new activities seemed to take root, with every chance of continuing after the War and proving themselves of high economic importance, in the southern provinces especially, where large quantities of excellent fruit and vegetables had formerly been wasted owing to the absence of a canning industry.

In summary it may be said that the importance of the Russian agricultural societies never went beyond that of the French *comices agricoles* or the German peasants' circles in the Rhine provinces; with this difference, however, that the Russian societies were undertaking a great variety of tasks and so were too weak to protect their trade interests. On the other hand, the agricultural associations were undoubtedly of a genuine coöperative form, and under more favorable circumstances might have developed into economic associations of great importance. Both types of organization were handicapped by the lack of funds, and as a result, coöperative marketing and coöperative purchase remained to the end the province of the credit coöperatives.

#### *The Trend to Consolidation.*

The requirements of the War, and the trend toward combination generally, resulted in a tendency to create specialized coöperative unions in agriculture. In some instances substitutes for such unions

were devised by combining several special functions, which were then entrusted to some of the large agricultural societies. This form of consolidation proved, on the whole, the more practicable, and a number of agricultural societies greatly enlarged their usual activities, as in the case, for instance, of the societies of Kharkov, Vologda, Kostroma, Poltava, Konstantinograd, the Don-Kuban-Terek region, etc. Specialization appeared to have been the basis and condition of success in the movement for consolidation. Thus, for instance, the Kharkov Agricultural Society, after having successfully worked in behalf of coöperative organizations for a number of years, conceived the idea of reorganizing into a central coöperative association for purchasing and marketing purposes. It proposed to transfer to the new organization a portion of its capital and to make available for its use its apparatus and its connections in the domestic and foreign markets. The plan met with the enthusiastic approval of a special conference attended by delegates of both agricultural and credit coöperatives of several provinces. However, share subscriptions were so small that the plan never materialized. On the other hand, in cases where the object of a proposed new agency was to centralize some definite special functions of direct and obvious economic importance for local requirements, no difficulty was encountered in raising the share capital or in securing operating funds. Such was the case of the Commercial Section of the Vologda Agricultural Society, which attended chiefly to the needs of dairymen's coöperatives, of the Siberian Union of Creamery Associations, of the Central Flax Growers' Association, and other similar organizations, which will be described in the succeeding chapters.

It is not without interest to give some more details with reference to the activities of such of the larger agricultural societies whose work was of particular importance for rural coöperation.

Among the active agricultural societies one of the oldest was that of Kharkov, founded in 1880. For the first twenty-five years, its activities were of no particular importance, but beginning with 1904 the society displayed considerable initiative, chiefly in the field of technical improvements in agriculture and practical aid to peasants. In 1912 the society consisted of 34 departments, of which the following deserve particular mention: (1) the agricultural bureau, an agency for joint purchasing, which in 1912 purchased about 2,000,000 rubles' worth of seed, implements, etc.; (2) the live stock



department, which arranged exhibitions and fairs and promoted improved methods of breeding; (3) the horticultural department; (4) the department of agricultural science; (5) the department of refrigeration; (6) the department of transportation and claims; (7) the department of farm implements; (8) the chemical department; (9) the seed control station; (10) the publishing department, which issued five special publications, besides books and pamphlets on farming and agricultural coöperation; and (11) the American bureau in Minneapolis.<sup>8</sup>

In 1914 the Kharkov Society enlarged the scope of its activities to include the promotion of rural coöperation and established for that purpose a special Committee of Rural Coöperation. The work of the committee was very fruitful, and its name became known all over Russia. The committee did not directly perform any economic functions. But its work in the way of promoting coöperative societies and of assisting their work became of such importance that it materially affected both the volume and the direction of all its other activities, particularly those of the agricultural bureau and of the American bureau. It was during the War that the committee built up the marketing of sugar beet seeds, which it collected from local producers, both from individuals and associations, and sold in the United States through its American Bureau. Transactions in seeds were growing rapidly, and they attained an annual amount of several million rubles.<sup>9</sup> This committee looked on the war years as a specially favorable opportunity for the promotion of the coöperative movement in Russia.

Similarly the Agricultural Society of Vologda established an economic bureau, charged with the function of supplying articles of prime necessity through coöperative organizations. The bureau was also required to investigate various economic problems of urgent practical importance. The Agricultural Society of Konstantinograd set up a special committee, which was to serve as a center for the

<sup>8</sup> Data on the Kharkov Society will be found in *Agricultural Coöperation in Europe*, Report of American Commission for Study of Agricultural Coöperation in Europe. Sixty-third Congress, First Session, Senate Document No. 214, Washington, 1913.

<sup>9</sup> The author was for several years closely connected with the Committee of Rural Coöperation, and thus had the opportunity of directly observing its work.



small agricultural societies of the district, for the coördination of the work of the several societies, for the supervision of their budgets, for making applications for subventions, for educational propaganda and advice on various problems of trade. We find similar committees for the promotion of coöperation set up by the Imperial Agricultural Society of the Caucasus, the society of the Don-Kuban-Terek region, by the Siberian Scientific Society at Tomsk, the Kiev Society of Agriculture, etc. The reports also indicate that there were but few unions of a purely coöperative character in agriculture.<sup>10</sup>

Following upon the Revolution of March, 1917, the enactment of the new law on coöperation, and the general hopefulness with regard to the bright prospects opening before the coöperative movement, gave strong impetus to the development of unions of agricultural coöperation. According to the estimates of the Shanyavsky People's University in Moscow and of the Permanent Council of the All-Russian Coöperative Congresses made in 1917, there existed in that year 31 marketing unions, 31 purchasing unions, also 210 unions of a mixed type, and 26 unions whose character was not specified.<sup>11</sup> There can be no doubt that agricultural coöperation had a fair share in the mixed and unspecified groups of unions. However, the vast majority of these unions were of an ephemeral nature, because of the haste with which they had been founded, or because of the lack of a well-considered plan, or of sufficient funds.

On the other hand, a number of unions founded in the field of rural home trades (*kustar*) achieved important results in the service of the country and of the army during the War. Particular mention should be made of the Vaga Union of Tar Producers' *Artels*, in the province of Archangel, organized in 1913; the Rural Trades Association of Borovichi-Valdai, in the province of Novgorod, founded at the end of 1914, which supplied nearly the entire demand for gloves in the army; the Moscow Union of Rural Trades *Artels*, which owned a sawmill and united the *kustar* workers of furniture, toys, metal articles, etc.; the Union of Lumbermen's *Artels* formed in 1917 in the province of Archangel, and similar unions in Kostroma and Nizhni-Novgorod; the Union of Shoemakers' *Artels*, in

<sup>10</sup> *Kooperativnaya Zhizn*, 1916, Nos. 13-14, p. 615; M. Kononenko, in *Vestnik Selskovo Khosyaistva*, 1917, No. 6.

<sup>11</sup> Boykov, in *Kooperativnaya Zhizn*, 1916, Nos. 13-14.

the province of Kostroma; that of women stocking knitters, at Razskasov, etc.<sup>12</sup>

This movement toward consolidation was, undoubtedly, greatly stimulated by war requirements and the war-time spirit. But it is quite probable that once started the movement would have continued under peace conditions as well, if the end of the War had led to a restoration of normal life. But it is important to remember that agricultural coöperation in Russia had not yet reached the stage where it could be in a position to assume economic functions of national scope in purchase and in marketing, although it is admitted that the extension of such activities was the need of the hour. In the domestic market, the producers of agricultural machines and tools had formed powerful combinations and were discriminating against coöperative organizations. In south Russia, in particular, the *Urozhai*, the most notorious of such combinations, was charging coöperative organizations 5 per cent above its general wholesale prices for machines and implements. Furthermore, as domestic production was insufficient to meet the demand, it was essential to import from abroad, an exceedingly difficult operation under war-time conditions.

The most important operations in the field of purchase and marketing remained the special task of the coöperative credit organizations, although they, too, showed a lack of system and planning, owing largely to the conflicts and competition between the credit unions and the zemstvo funds of small credit. We described elsewhere the far-fetched plans of the Moscow People's Bank, and we showed the modest results actually accomplished. The apparatus of the bank could hardly be adapted to these very special commercial functions. The bank realized this only at a time when it had become practically impossible for it to bear the burden of the expanding trade organizations. The bank was then led to turn over the trading operations to a specially created organization, the All-Russian Union of Agricultural Coöperation, or *Selskosoyus*. It is difficult to tell what might have been the outcome of such an arrangement under normal conditions. As it was, the *Selskosoyus* came too late, as

<sup>12</sup> *Nastolny Kalendar Sibirskoi Kooperatsii na 1920* (*Almanac of Siberian Coöperation in 1920*), p. 59; A. Malakhov, in *Russkaya Kooperatsiya i Kommunisti* (*Russian Coöperation and the Communists*), London, 1921, pp. 17 sqq.; V. Totomians, in *Kooperatsiya v Rossii* (*Coöperation in Russia*), Prague, 1922.

did also a number of other national agencies established by the Moscow People's Bank between May 10, 1918 and January 17, 1919, for the marketing of special products, such as the Coöperative Grain, the Coöperative Egg, the Potato Union, the Fruit and Vegetable Union. These national coöperative unions for single commodities were swept away in the political and economic turmoil of the period.

It remains now to treat of large-scale coöperation for the marketing of processed or semi-processed products of agriculture and other rural industry. The view of producers' coöperation as one organically incapable of progress may be warranted by the experience of western Europe, if dairy and creamery coöperatives are excepted, but in Russia, whether in purely agricultural industries or in rural handicrafts, there are found many instances of successful coöperation. We will consider here only three classes of rural coöperative organizations, the most important, both numerically and for their specific place in the economic life of the country,—namely, the co-operatives of flax growers, of tar producers, and of dairymen.

#### *Flax Growers' Coöperation.*

Flax is one of the most important products of Russian agriculture in the territories lying outside the black-earth zone. The soil and climate of north and northwest Russia are very favorable for its cultivation, and the regions are justly famous for their long fiber flax. At the beginning of the present century over 1,000,000 deciatines in 27 provinces were planted to flax, and the acreage remained practically constant down to the first year of the War, standing at 1,022,600 deciatines in 1914. Over four-fifths of the total acreage was cultivated by the peasants in small holdings.

In the second year of the War the acreage was considerably reduced, falling to 768,000 deciatines, especially in the provinces in the rear of the fighting lines. But it increased in the following year, even beyond the pre-war average, reaching a total of 1,446,518 deciatines in 1916.<sup>13</sup>

<sup>13</sup> *Predvaritel'nii itogi Vserossiskoi Selskokhozyastvennoi Perepisi 1916* (Preliminary Summary of the All-Russian Agricultural Census of 1916), 3 vol., published by the Special Council for Food Supply, Petrograd, 1916-1917. A certain allowance has to be made, when these figures are considered, for the greater precision of the census in 1916, as well as for the fact that



Although the yield of flax was small in relation to the area, the annual flax crop was very large in absolute amounts; it stood at 32,000,000 puds in each of the years 1912 and 1913, and at 24,000,000 puds in 1914. It was essentially an export commodity, notwithstanding the considerable domestic demand for linens. The annual export amounted, on the average, to about 15,000,000 puds of fiber, or about one-half of the total output. In 1912, exports reached 21,500,000 puds, or two-thirds of the crop of that year, while in 1913 and even in 1914 nearly 60 per cent of the crop was exported.<sup>14</sup> The war years, with the general impairment of economic conditions, affected adversely the flax-growing industry. The 1915 crop amounted to 22,500,000 puds, which decreased to 20,000,000 puds in 1916, and again to 15,600,000 puds in 1917.<sup>15</sup>

The flax trade brought little profit to the peasant producers who raised nearly four-fifths of the crop. Their direct contact was confined to the worst type of middlemen, the small jobbers who were depressing prices and indulging in various questionable practices, including short-weighing. Such conditions of marketing were bound to have the effect of weakening any incentive to an improvement of the quality of the goods or to the introduction of better methods of cultivation. As early as 1889 the congress of flax growers held at Smolensk passed a resolution in favor of the creation of flax growers' unions as a means of improving the general conditions of flax culture and marketing. A resolution to the same effect was adopted by the congress held at Pskov in 1909. The Moscow congress of 1911 also moved in favor of community action, coöperative or other, for the regulation of the flax trade. Some of the zemstvos intervened; thus, the district zemstvo of Kashin, Tver province, began to advance loans on flax, in order to enable the producer to withhold his goods from the market for a time. But the experiment was not

the acreage was for the first time computed for the whole territory of Russia. However, the general tendency toward an extension of the area under flax was undoubtedly a real one.

<sup>14</sup> *Transactions (Trudi) of the Congress of Representatives of Russian Industry and Trade held in Paris from May 17 to May 23, 1921*. Report on the conditions of flax growing and of the flax industry in Soviet Russia, Paris, 1921.

<sup>15</sup> *Ibid.*; cf. also G. A. Martiushin, *The Flax Industry of Russia and the Central Association of Flax Growers*, New York, 1919.



successful, as not more than one-tenth of the flax produced in the district passed through the zemstvo warehouse.

With the advent of coöperation for purchase and marketing and technical improvement a change has come over the flax region. In 1911 the Agricultural Society of Abaturov, Yaroslav province, established a plant for the treatment of flax, and in 1912 a similar plant was established by the Agricultural Society of Shehepov, in the same province. A number of flax-treating stations were then created on a coöperative basis in the provinces of Vologda and Kostroma. Simultaneously, the credit associations and the loan and savings associations began to organize the marketing of flax, in the province of Novgorod first. Somewhat later came the marketing agreements of the associations of Sukharev and Rogov, in Tver province, for the sale of flax in common. These isolated experiments almost invariably ended in failure, for the local societies were in no position to organize the sale of fiber and seed directly to the factories. Too often they lacked familiarity with market conditions, usually they had no control over a large volume of flax, or were incapable of competing with the private dealers. The realization of their individual disadvantages prompted them to combine into unions. Already, in 1914 and 1915, a number of coöperative unions expanded the scope of their activities to include transactions in flax. Some established direct contact with the Goods Department of the Moscow People's Bank and through it marketed in England 26,700 puds of fiber, for an amount of 212,000 rubles. At the same time there appeared small regional combinations, their main object being to cut down the expenses of marketing and to increase the volume of flax assembled by individual coöperatives.<sup>16</sup>

All these local experiments were interesting as far as they went, and it cannot be denied that they had some effect on the market and on production, or that they served as a stimulus to further efforts. Nevertheless, they were powerless to solve the fundamental problem of marketing a commodity enjoying an extensive national and international market. It was essential to have large lots, uniform standards as to quality and packing, and all these requirements could only be met by a large-scale central organization. The Goods Department of the Moscow People's Bank could not serve as a sub-

<sup>16</sup> Stern, in *Kooperativnaya Zhizn*, 1916, Nos. 15-16, pp. 719 sqq.

stitute for such a central agency, and it was to the credit of the bank that after having opened the way for direct intercourse between flax growers' organizations and the London market, it undertook to bring the various groups together in the Central Flax Growers' Association, which was founded in September, 1915.

The Central Association set to itself the following objects: (1) the elimination of petty middlemen from the flax trade and the organization of direct sales to large factories; (2) the establishment of direct connections with foreign markets and the organization of the export of flax; (3) the collection of flax fiber directly from producers through the agency of local coöperatives and their unions; (4) the improvement of flax cultivation by means of technical advice, the distribution of improved seeds, machines, tools, etc. Only coöperatives were eligible to membership in the Central Association, —whether credit, agricultural, consumers', or special flax growers' societies and their unions. Every member society was required to pay an initiation fee of 10 rubles and to buy at least one share of 50 rubles. To strengthen the credit of the Central Association, it was agreed to introduce the feature of supplementary liability for all members, amounting to double their respective shares; and in addition, each individual member of a participating coöperative was liable for the obligations of the Central Association to the extent of two to five times the amount of credit opened to him.

That the founding of the Central Association was at once urgent and timely was proved by its rapid and successful growth, in spite of war conditions and of the hostility of large linen manufacturers. At the time the Central Association officially opened for business, it had a membership of 43 coöperative organizations, composed of 6 regional unions, 3 agricultural societies with a jurisdiction extending over a province, and 34 local coöperative associations of various types. The activities of the Central Association formally embraced the whole of Russia, but in fact, its shareholders were found only in 13 provinces east, north, and west of Moscow. The rapid growth of the Association is seen in the following table:

<i>Date</i>	<i>Number of shareholders</i>		
	<i>Unions</i>	<i>Individual</i>	<i>Total</i>
July 1, 1916	18	82	100
July 1, 1917	37	135	172
July 1, 1918	48	150	198

It is interesting to note that the Central Association included almost no societies of flax growers proper. Among its members, the credit associations and the loan and savings associations formed 88 per cent in the first year, 84 per cent in the second year, and again 88 per cent in the third year. Agricultural societies and coöperative agricultural associations ranked next in order, while only 1.8 per cent of member shareholders were flax growers' societies.<sup>17</sup> The total number of flax growers federated in 1916 by the activities of the Central Association was 150,000.<sup>18</sup>

The transactions of the Central Association were, at first, on a very small scale, for its initial capital was small. But its business grew at a remarkably rapid pace until it reached an imposing amount in the third year, as may be seen from the following table:

	<i>Capital and reserve</i> (in thousands of rubles)	<i>Total liabilities</i>
July 1, 1916	10.4	340.9
July 1, 1917	64.9	15,399.1
July 1, 1918	2,061.2	176,473.1

The amounts of flax collected and sold likewise increased:<sup>19</sup>

	<i>Collected</i> (in tons)	<i>Exported</i>
1915-1916	1,685	1,022
1916-1917	15,434	15,359
1917-1918	40,983	18,333

Thus, in the third year of its existence the Central Association was already handling about one-sixth of the fiber produced in the 27 flax-growing provinces. This cannot be regarded otherwise than as a very great achievement, especially as the War interposed a number of material difficulties: Some of the flax-growing areas had been occupied by the enemy forces, trade was handicapped by restrictions and the high rate of exchange, transportation was disorganized. Considerable complications appeared especially in connection with the English market, the one that chiefly interested the Central Association. On March 18, 1916, the British Government issued an order

<sup>17</sup> Martiushin, *loc. cit.*, p. 17.

<sup>18</sup> *Kooperativnaya Zhizn*, 1916, Nos. 15-16, p. 722.

<sup>19</sup> Martiushin, *loc. cit.*



which placed all sales of Russian flax in England, as well as direct purchases in Russia, in the hands of four English firms. An artificial monopoly was thus created in the English and Russian markets. The Russian Council of Ministers retaliated by an ordinance of June 17 of the same year which placed the regulation of flax exports in charge of the Committee on Flax and Jute, and the committee was directed to entrust the trade in flax destined for foreign markets to two or three most trustworthy Russian firms. The existence of the Central Association then proved of decisive importance for the small producers. Through its representatives in the committee it succeeded in obtaining a ruling which concentrated the entire export of flax to the British market in the hands of two Russian organizations, the Central Flax Growers' Association and the Russian Flax Company, known as *Ralo*.<sup>20</sup>

The position of the Central Association in the foreign markets was, thus, considerably improved, and it was enabled, in spite of all difficulties of transportation, to export large shipments of flax. The last shipments were made under extremely difficult conditions, via Archangel, at a time of economic breakdown and civil warfare. The joint efforts of the Central Association and of the Russian Flax Company were successful in checking the artificially created tendency toward low prices, with the result that the export operations on flax proved profitable both for the Central Association and for the producers. According to the most conservative estimates, the work of the Central Association brought, on the average, an increase of three gold rubles per pud of flax above the prices that obtained in 1915.

Nor were the activities of the Central Association entirely fruitless with regard to technical improvements, in spite of the short time the association was in existence. The most important contribution of the association, in this respect, was the effort made to provide the planters with improved seeds of the famous Russian variety of long fiber flax. The association not only carried on operations connected with the purchase and cleaning of flax, but it also established a number of cleaning and seed-growing stations of its own in the province of Pskov. Those stations would have eventually developed into selective stations, and would have acquired an international importance

<sup>20</sup> *Kooperativnaya Zhizn*, 1916, Nos. 17-18, pp. 812 *sqq.*



for the flax industry, had the activities of the Central Association not been practically paralyzed by the end of 1918.

*Coöperation among Tar Producers.*

Tar making in north Russia as a rural trade is more than three centuries old. It is especially important in the Vaga region, which comprises the territory of three districts; that of Shenkursk, in the province of Archangel, and the districts of Velsk and Solvychegodsk of Vologda province. The shortness of the growing season and the poor quality of the soil have made agriculture a secondary pursuit in these regions. On the other hand, the long winter and the abundance of excellent woods naturally favored the rise of forest occupations as the chief source of income of the local population. Tar-making methods are rather primitive, and the equipment elementary, but the local producers are rich in acquired experience and are successful in obtaining a product of good quality. Production used to be carried on without system, so long as individual producers remained isolated, while the marketing of tar was entirely in the hands of small local dealers who were, at the same time, money lenders and storekeepers. Furthermore, the local buyer did not sell directly in the distant market, but passed the product along a line of middlemen.

Unregulated production and inefficient marketing led the producers to seek relief in coöperation. The initiative came from a few local leaders, A. E. Malakhov, J. P. Levanidov, and their collaborators. The first tar-makers' association (*artel*) was founded in 1901. In order to avoid the difficulties connected with the official approval of by-laws, the *artels* were constituted by simple agreements with a certification of the local administration. A few of the early *artels* formed a peculiar union by electing two managers, one to have charge of their common business affairs, while the other managed the public stores opened in connection with the *artels* and which served in lieu of consumers' societies. The two managers derived their authority from a simple power of attorney certified by the local administration, and they functioned as a substitute for the board of a union.<sup>21</sup>

The objects of the *artels* and of their union were, first, to improve

<sup>21</sup> A. Malakhov, *Russkaya kooperatsya i Kommunisti* (*Russian Coöperation and the Communists*), Prague, 1921, p. 73.

the methods of wood distillation and, second, to organize the marketing of the product. The union grew in membership and business, expanding so far as the local resources allowed. Its growth is pictured in the following figures:<sup>22</sup>

	<i>Number of members</i>	<i>Output of tar in barrels*</i>	<i>Average output per member in puds</i>
1902	90	1,784	158
1903	126	2,650	168
1904	176	3,617	164
1905	990	18,063	145
1906	1,650	31,521	152

\* One barrel contains about 8 puds of tar, net weight.

The organization of marketing was the special concern of the union, as the exploitation of private middlemen was the chief complaint of the peasant producers. The first attempt at coöperative selling in foreign markets was made in 1902. Neither the *artels*, nor their union, which did not have the rights of a corporate body, had sufficient funds or credit to engage in the export trade for their own account. The Department of Crown Lands came to their aid with a loan advanced on favorable terms, reserving to itself the right of supervision over their production and sales. In 1905, however, when the outstanding debt of the *artels*, on account of those advances, amounted to about 200,000 rubles, the Department of Crown Lands suddenly discontinued all further financing, thus placing the *artels* in an awkward position.

The coöperatives of tar makers were analogous, as far as their internal organization was concerned, with the ancient Russian type of associations of fishermen, trappers, and the like. They were free, temporary combinations, which were formed annually for each year's campaign, and dissolved after the accounts for the goods delivered and sold in the season had been settled. With an organization as loose as this, the discontinuance of government credit threatened a complete disruption of their combined activities. But the five years of coöperative experience left a permanent impression in the minds of the local people. And we find that after two years "the scattered little currents of coöperation once more met, but now more vigorous and rapid than in the preceding period."<sup>23</sup> They lacked working

<sup>22</sup> *Vestnik Melkago Kredita*, 1914, No. 23, p. 919.

<sup>23</sup> A. Malakhov, *loc. cit.*, p. 77.

capital, and the State Bank refused to open a credit account, but they were no longer helpless; they believed that coöperation would save them from private buyers and exporters.

The leaders of the tar *artels* realized that in order to strengthen the position of the organization it was necessary, first of all, to acquire a formal legal status for the *artels* and their union, to have them endowed with the rights of corporate bodies, and that it was necessary to secure working capital through the channels of coöperative credit. The by-laws of the Tar-Makers' Union were accordingly drafted and submitted to the Ministry of Agriculture for its approval, and on June 12, 1913, the union was formally recognized. At the beginning it united 23 *artels* with an aggregate membership of 1,620.<sup>24</sup> By that time the Moscow People's Bank had been established, and it came to the support of the union with a credit of 200,000 rubles, and later by assisting it in the marketing of tar in Great Britain. The union also received valuable aid from the Ministry of Agriculture, which granted to it, in 1914, a subsidy of 5,500 rubles toward the salaries of technical and commercial instructors, and one of 76,000 rubles for the study of markets, a statistical survey of the industry, for the equipment of a laboratory and the conduct of experiments. In addition, the Ministry advanced to the union a long-term loan, for ten years at 3 per cent interest, for the equipment of plants and storehouses.<sup>25</sup>

The War has possibly held back somewhat the growth of coöperative tar making, but it did not, on the whole, interfere with its progress. Even the difficulties of transportation did not affect the union very strongly, as the shipments had always been floated down the Dvina River to the port of Archangel. By the time of its forced liquidation, at the end of 1918, the union had considerably enlarged the scope of its work. It included 52 tar makers' *artels*, 5 credit associations, 3 agricultural societies, and 85 consumers' stores. It had a capital of nearly 1,000,000 rubles, and a reserve of about 1,500,000 rubles. It operated 17 plants for the production of turpentine, rosin, and pitch, also a sawmill, a barrel plant, repair shops, a printing plant, and a transport equipment of four steamers and six barges. Its total assets amounted to 24,000,000 rubles. At the time

<sup>24</sup> G. Schwittau, *Russkaya Kooperatsiya na mezhdunarodnom rinke* (Russian Coöperation on the International Market), Berlin, 1920, p. 188.

<sup>25</sup> *Vestnik Melkago Kredita*, 1914, No. 23, pp. 923-924.



when the board of the union emigrated to England *in corpore*, there were 13,000 barrels of tar and pitch in English docks belonging to the associated producees.<sup>26</sup>

In a word, the union was on the way to becoming a very serious factor in one of the most important industries of north Russia.

### *Coöperation among Dairymen.*

In the practice of western Europe coöperation in the dairy industry has been chiefly along the following two lines: (1) the marketing of pure milk and cream, preceded by separation, and pasteurization whenever necessary, or by the mixing of milk and cream in certain proportions; and (2) the marketing of such manufactured dairy products as can stand storage and transportation over long distances, chiefly butter and cheese. The first form is conditioned upon the existence in the district of a large consumers' market, and, wherever developed, it yields the largest returns to the producees. But in spite of the existence in north Russia of such markets as Petrograd and Moscow, this form of coöperation did not develop to any considerable extent. It was only in Moscow that a small union of milk producees' associations was formed in 1911,<sup>27</sup> which feebly endeavored to build up coöperative marketing. In south Russia dairy farming was also undeveloped, barely sufficing to meet the local demand.

On the other hand, the coöperative production of butter and cheese, which made Siberian coöperation known the world over, became of considerable importance in the northern territories of European Russia as well.

The first attempts to organize cheese-making associations were made about 1865, at the same time that the Lughinin brothers laid the foundations of coöperative credit. N. V. Vereshchagin and the Blandov brothers, who had studied, by direct observation, the organization and the functioning of the Swiss *fruitières*, decided to build up similar organizations in Russia. Their efforts were supported and financed by some of the zemstvos, and a few *artels* were thus formed in the provinces of Yaroslav and of Tver.<sup>28</sup> These first

<sup>26</sup> G. Schwittau, *loc. cit.*, pp. 189-190.

<sup>27</sup> *Torgovo-Promishlennaya Gazeta*, 1915, No. 74.

<sup>28</sup> In all about 50 *artels* were then founded. Cf. S. Borodavsky, *Kooperatsiya (Coöperation)*, St. Petersburg, 1904.



experiments had little success, as most of the *artels* soon went out of existence or were transformed into private enterprises. However, they helped to further the progress of the dairy industry.

A more successful period of coöperative development began a few years before the War, partly under the influence of the educational campaign conducted by zemstvo agents, and by experts of the Ministry of Agriculture, and especially as a result of the general progress of coöperation following upon the revolutionary upheaval of 1905-1906, and the first All-Russian Coöperative Congress of 1908. Beginning with 1910 the number of *artels* grew rapidly, especially in Poland, the Baltic provinces, and the northern provinces of European Russia.

According to incomplete reports there were, in 51 provinces of European Russia on January 1, 1914, 476 dairy, creamery, and cheese *artels* and associations and 3 unions; on January 1, 1916, the numbers increased to 794 *artels* and associations and 4 unions.<sup>29</sup> In Russia proper, omitting the borderlands, the number of dairy co-operatives was largest in the provinces of Vologda, Novgorod, Perm, Yaroslav, Kostroma, and Vyatka. According to the figures of the Northern Coöperative Congress, held at Vologda in August, 1915, the total number of *artels* in the northern region was 353, of which the province of Vologda had 132, that of Novgorod, 75, and that of Perm, 69.<sup>30</sup> In the first half of 1916 as many as 262 *artels* were delivering butter to the warehouse of the Vologda Society of Agriculture.<sup>31</sup>

Butter-making *artels* were the most important. There were two types of *artels* in the region, known as that of Yaroslav and that of Vologda, respectively. The *artels* of the Yaroslav type bought the milk from their members, paying them at once the prevailing market price. Those of the Vologda type advanced from 80 to 90 per cent of the anticipated yield and distributed the balance, if there was any, among the members at the end of the year. The second type was favored by the local leaders of coöperation, as it created closer bonds between the members and their organization, making the members take a greater interest in the details of coöperative work. This type came to be the more usual, especially beginning with

<sup>29</sup> *Kooperativnaya Zhizn*, 1916, Nos. 13-14, p. 615.

<sup>30</sup> Maslov, in *Vestnik Kooperatsii*, 1916, No. 6, p. 87.

<sup>31</sup> *Vestnik Melkago Kredita*, 1916, No. 34, pp. 1360-1361.

1912, when the commercial department was established at the Vologda Society of Agriculture. That department was practically nothing else but a mixed union of coöperatives<sup>32</sup> which devoted particular attention to the development of creamery *artels*.

The province of Vologda thus became the center of creamery co-operatives in north Russia. A few figures will illustrate their progress in that province:<sup>33</sup>

*Shareholders of the Commercial Department.*

	July 1, 1912	January 1, 1916
Creamery <i>artels</i>	15	86
Consumers' societies	13	113
Agricultural societies	4	24
Credit associations	1	26
Union of coöperatives	—	2
	<hr/>	<hr/>
Total	33	251

*Associations Dealing with the Commercial Department.*

	1912	1913	1914	1915	1916 (five months)
(a) Associations delivering butter to the department	111	138	147	145	262
(b) Associations purchasing goods from the department	120	155	170	378	413

*Marketing and Purchase Operations of the Commercial Department.*

	Marketing of butter (in thousands of rubles)	Goods purchased
1912	1,095.9	339.3
1913	1,228.4	613.1
1914	1,154.1	828.4
1915	1,770.8	1,695.6
1916 (five months)	2,194.3	2,022

In considering the increase in the volume of marketing, the advance in prices of butter has, of course, to be taken into consideration. According to the official data of the Special Council on Food Supply, the prices had advanced 50 per cent above the pre-war

<sup>32</sup> The establishment of a special department at an existing agricultural society was a convenient way to avoid the administrative difficulties that were involved in the organization of a union of coöperatives.

<sup>33</sup> *Vestnik Melkago Kredita*, 1916, No. 34, pp. 1360-1361.

level in 1915, and 100 per cent in 1916.<sup>34</sup> The growth of the physical volume of marketing operations appears to have been real, as the amount sold in the first five months of 1916, when expressed in terms of pre-war values, is about equal to the amount sold in a full year before the War. (The trade operations would have been greater in 1914 and 1915 but for the partial failure of the fodder crops in the north.)

Coöperative butter-making was thus becoming a permanent and important element in peasant agriculture. Even in the least developed districts of Vologda province the coöperatives embraced slightly over one-fifth of all homesteads having dairy animals; the total number of cows belonging to their members was 38,000, also about one-fifth. The average annual output of butter produced by the membership was about 85,000 puds, or 1,400 tons. As long as the several *artels* remained isolated the marketing was effected chiefly through wholesalers operating in the Petrograd market, which was the least profitable of the large markets.<sup>35</sup> The work of the commercial department of the Agricultural Society brought about considerable improvements in this respect. It established connections with the southern markets, with the result that the *artels* affiliated with it received over two rubles per pud more than before.<sup>36</sup>

Another interesting instance of successful development of coöperation in the dairy industry was that of the Central Agricultural Society of the province of Kostroma, which was likewise practically a union of coöperative associations. That society was concerned chiefly with the restoration of coöperative cheese making, which once flourished in this region, and with improvements in technique and quality of the product. With that end in view the society opened a special department and engaged a specialist as technical adviser to producers. The work was successful from the beginning; in the second half of 1916 the department was dealing with 15 peasant cheese *artels*, accepting and marketing their output.<sup>37</sup>

<sup>34</sup> *Vestnik Melkago Kredita*, 1916, No. 28, pp. 1131-1132.

<sup>35</sup> In 1911, the average annual prices for butter were 13.94 rubles in St. Petersburg, as compared with 15.97 rubles in the markets of south Russia. See *Vestnik Kooperatsii*, 1916, No. 6, p. 101.

<sup>36</sup> *Vestnik Kooperatsii*, 1916, No. 6.

<sup>37</sup> *Vestnik Melkago Kredita*, 1917, No. 7, p. 166.

## CHAPTER VI

### AGRICULTURAL COÖPERATION IN SIBERIA<sup>1</sup>

#### *The Siberian Environment.*

THE coöperative movement in agriculture in Siberia is intimately bound up with the development of coöperation in dairying, which has served as the starting point and the basis for the growth of other aspects of coöperation. The Siberian coöperative creameries may justly be called the "pearl" of Russian coöperation. No other branch of the movement in Russia could compare with them in organization, strength, or economic importance.

The Siberian coöperative creameries are chiefly identified with the western and southwestern sections. The movement started near Kurgan, in the province of Tobolsk, and it then rapidly spread over the territory extending from the Ural mountains to the Altai range, comprising about twenty-five districts in eight provinces and regions,<sup>2</sup> or an area of about 1,144,000 square versts,<sup>3</sup> with a population of 8,300,000, in 1915. This vast territory was in many sections particularly fitted for the growth of the dairy industry. The country consists of enormous stretches of virgin soil covered with an exuberant growth of grass, and of vast prairies and steppes merging into alpine pastures in the foothills of the Altai mountains.<sup>4</sup> That

<sup>1</sup> In the preparation of the chapter the author used numerous publications issued by the Union of Siberian Creamery Associations in Russian. Among them the reports of A. N. Balakshin deserve special mentioning. The following publications in foreign languages have been also consulted: *Union of the Siberian Creamery and Other Coöperative Associations and the Country Served by this Organization*, Boston, 1919; Frederic E. Lee, *The Russian Coöperative Movement*, Washington, D. C., 1920; *Report of the Canadian Economic Commission*, Supplement to the Bulletin of the Department of Trade and Commerce, Ottawa, 1919; E. Fuckner, *Die Russische Genossenschaftsbewegung, (1865-1921) Osteuropa*, Leipzig and Berlin, 1922.

<sup>2</sup> The provinces of Orenburg, Perm, Tobolsk, Tomsk, Altai, and the regions of Akmolinsk, Semipalatinsk, and Turgai. The two first named provinces were administratively a part of European Russia.

<sup>3</sup> One sq. mile = 2.27 sq. versts; the territory referred to is equal to the area of France, Germany, and Great Britain combined, and it forms 9 per cent of the whole area of Siberia.

<sup>4</sup> According to the data of the First All-Russian Agricultural Census of



was the most important condition that favored the development of cattle raising, and dairying in particular. The cattle were kept in the pastures all the year round, and only small amounts of hay were, as a rule, stocked in the cattle yards. In fact, there were almost no yards anywhere; at best, only enclosures with rude sheds, or no sheds at all. The country was in the early stages of settlement and, therefore, there was little care of cattle.

Under such conditions the milk-yield of Siberian cows was not abundant. But the milk was of a quality that was not merely high but altogether exceptional. The rigorous environment of the country had developed a special breed of dairy cattle which yielded milk with an exceptionally high content of fat, ranging between 4.5 and 7.6 per cent. (The normal fat content is about 3.5 per cent, according to west European tests.)

In addition to natural factors there were those of an economic character. There was, first, the outstanding fact that the old settler in Siberia was, in general, wealthier than his fellow peasant in European Russia, also more energetic, more aggressive, more ambitious. In western Siberia it was not exceptional to find peasants having five or even ten head of dairy cattle, whereas a peasant household in the central zone of European Russia usually possessed one cow, seldom two. A second economic factor was the unprofitableness of grain production. As a result of conditions in the world market and the disadvantageous commercial treaty with Germany, even the agriculturist in European Russia found himself compelled to dispose of his grain at a price barely sufficient to cover his costs. The Siberian peasant was in an even more unfavorable situation, because of distance from the world markets and the high costs of transportation. Only the boundless tracts of land and the extraordinary fertility of Siberian soil, which yielded in good years as high as 300 puds of grain to a deciatine, without manuring, enabled the Siberian farmer to make both ends meet. It was natural then that the enterprising Siberian settler should have looked for relief to other branches of agriculture, and primarily dairy farming.

At first, the marketing of dairy products met with considerable difficulties, while production was primitive and confined within the limits of individual cottages. There was almost no market for fresh

1916 only about 11,000,000 deciatines or 10.8 per cent of that territory were planted to grain and roots.

milk in Siberia, and so the chief product of dairy farming was butter. The only way of preserving butter that was known was by the ancient Russian method of "rendering." Although "rendered" butter can be preserved for a long time without deterioration, and although it is a perfect product for cooking purposes, it cannot compete with fresh cream butter so far as taste is concerned, and its market price is, therefore, lower. At the same time it requires comparatively more milk, as the process of "rendering" implies a certain amount of waste, amounting to nearly one-fourth of the original weight. But as long as Siberia had no railways the "rendered" butter was the only marketable product of dairy farming, and in the absence of transportation facilities the only markets available were those of Siberian towns, whose demand was naturally limited. Delivery by team over the enormous Siberian distances was very expensive, comparatively, as prices of butter fluctuated between four and six rubles a pud.<sup>5</sup>

*The Period of Private Enterprise.*

An economic transformation of far-reaching importance took place with the opening of the great Trans-Siberian Railroad in 1893. In the districts which gravitated economically toward the railway zone, butter production at once began to grow rapidly and to assume an industrial character. Following upon the railway, the separator came into western Siberia, and then a number of private butter-making plants organized on the factory basis. The initiative came from Volkov, a Moscow merchant, who established, in 1894, the first creamery in the village of Utyatskoe, forty versts from the city of Kurgan.

The first pioneers were followed by representatives of butter-exporting firms, mostly foreign. Dutch and Danish purchasing and exporting agencies were multiplying, and as the production of butter did not correspond with the increased demand in volume or equipment, the export agencies, which were keenly competing with each other, began actively to promote the organization of small private plants in the villages. In addition to oral propaganda and the distribution of literature on the subject, the exporters very willingly and, of course, not without profit to themselves, supplied the

<sup>5</sup> 12.5 to 18.5 cents a kilogram; the average price in New York in the period under consideration (1892-1893) was about 57.5 cents a kilogram.

little plants with separators and other equipment required for the production and the packing of butter; they provided the plants with expert foremen, recruited chiefly in the Baltic provinces; they extended credit to the plants, in the shape of cash advances secured by a contract for the delivery of all the butter produced. In order to expand their trading operations and to increase their profits, as well as to compensate themselves for possible losses, a contingency which had to be faced owing to strong competition, the export offices introduced and widely used a kind of truck system. They established warehouses and stores and paid in kind for butter deliveries.

It must be admitted that private enterprise contributed its share to the development of the dairy trade in western Siberia. The number of dairy cattle increased, and the production of butter began to grow very rapidly. In 1899 only 132,000 puds of butter were exported from Siberia; in 1903, 1,994,000 puds were carried on the Trans-Siberian, and the amount increased to 2,000,000 in 1904. The technical methods of the treatment of milk were gradually being improved. Prices on butter increased, and the annual revenue from one cow reached 15 to 20 rubles as compared with 5 to 6 rubles in the preceding period.

But the system of production and marketing worked under considerable disadvantages. The most important was the fact that the entire business, and marketing especially, was controlled by foreigners interested in large profits for their firms. Little attention was being paid to the quality of the butter exported, which left much to be desired, especially as there were no improved refrigerating appliances for its preservation and transportation. There was an excessive number of middlemen of all kinds, who resorted to methods that did not always live up to standards of business honesty, and it was they who received the lion's share of the profits. An interesting description of the situation in that period is found in a report submitted by A. N. Balakshin to the congress of butter exporters held at Omsk in 1909:

The first result of the coming of foreigners as middlemen was to deprive the Russian plants of their individuality and their distinguishing trade-marks. The foreign agents exerted all their efforts to advertise the Russian product in the world market as poor but cheap, a policy dictated by commercial considerations and by the interests of their own national trade. The Russian products, deprived of their separate



individualities, were commonly sold in the foreign markets under a different name and brought "real prices," and at the same time the prices of the local products were maintained somewhat above Russian butter, which was a strong competitor owing to the volume of supply. This practice was especially conspicuous in the case of Siberian butter. The foreign agencies strongly advised the Siberian producers to ship their butter in "blank barrels." However, when one curious Russian merchant succeeded in some manner or other in penetrating into the butter warehouses in Copenhagen, he discovered that the "blank" barrels containing the better grades of butter had been branded with the marks of Danish firms, while the poorer grades had been graciously allowed to enter the world market as Russian products. . . .

As long as butter-making plants remained under private control, the technique of production did not improve; on the contrary, it was getting worse, and this in spite of regulations and the increase in the number of technical advisers appointed by the Government. Good plants did not exist, the milk was being adulterated, and there were constant misunderstandings between the plant owners and the peasants. . . . The competing export offices . . . winked at the adulteration of milk just as did the plant owners. Paying high prices, often above the current market prices, the foreign exporters resorted to the practice of selling the better grades of Siberian butter as Danish, or at least as Finnish butter, or were beating down the poorer grades to the lowest possible price. . . . And like the plant owners they compensated themselves for the high prices they had to pay by charging high prices on the goods they were dispensing at their stores in payment for the milk delivered. . . .

### *Coöperative Creamery Associations.*

While private enterprise dominated the field the idea of coöperation appeared early. The first attempts were in the shape of communal creameries, which were opened by the decision of the township meeting, often against the opposition of a part of the peasant community. These first experiments ended in failure in most instances. Gradually, however, the idea of coöperation in its pure form began to spread and gain in popularity. At first a vague and shapeless process, it was soon given conscious and rational direction by M. Balakshin, the uncontested leader of Siberian coöperation and one of the most remarkable public men in Russia. Balakshin's program was conceived with a view to a threefold end: (1) the organization of production on a coöperative basis; (2) the elimination of superfluous middlemen; and (3) direct intercourse between pro-



ducer and consumer through coöperative marketing of butter abroad.

Balakshin began his organizing activities in 1901, when he caused a special department to be established at the Agricultural Society of Kurgan, which immediately came in touch with five coöperative creameries and several private plants. The department succeeded in exporting 77,000 puds of butter, but, on the whole, the experiment was not successful and it soon discontinued its activities.

In the following year Balakshin went to St. Petersburg in an endeavor to enlist government support in favor of his plans. His proposition was favorably received by the Minister of Agriculture, Ermolov, and the Minister of Finance, M. Witte. Following upon a report submitted by him to the Ministry of Agriculture on the condition of the butter industry in Siberia and the necessity of government aid for the promotion of coöperative organizations there, the Government decided to create a special commission under the name, Organization for the Establishment of Coöperative Creamery Associations in Western Siberia. Its functions were defined as follows: (1) initiative in the establishment of new associations; (2) organization of accounting and commercial advice for the several associations; (3) guidance in the construction of plants and the acquisition of equipment and technical improvements; (4) recommending skilled workers; (5) mediation between the associations and private firms with a view of reaching trade agreements between them; (6) mediation between associations and commercial firms with a view to settling controversies; (7) aid to associations in arranging credits with state and private institutions, or with private persons; (8) representing the needs of the individual associations before the Government; (9) supplying government departments with information; and (10) collecting and centralizing information with reference to prices, stocks of goods, firms interested in butter or dealing in supplies required in dairy farming, etc.

The official recognition of creamery coöperation was important not only because of the modest government appropriation which Balakshin obtained, but more so because it led to the establishment of a responsible center for a kind of economic work deemed important by the local authorities and the population generally. The central government appropriated the sum of 7,000 rubles annually for three years for the expenses of the "Organization," and the appro-

priation was later renewed for another period of three years. In addition, the "Organization" was empowered to advance to each new association, out of the government funds, loans running up to 3,000 rubles for their initial equipment.

The work of the "Organization" met with a ready response on the part of the local population. The number of coöperative creameries which received the aid of the "Organization" grew from 34 in 1903 to 71 in 1904, to 118 in 1905, to 178 in 1906, and 271 in 1907. The expansion of the activities of the "Organization" appears from the following official figures for the three business years, October 1, 1904 to October 1, 1907:

	1904-1905	1905-1906	1906-1907
Households affiliated with associations	20,142	37,839	51,886
Number of cows owned by members	98,799	182,359	279,000
Milk delivered, in puds	3,073,400	6,993,100	8,921,400
Butter produced and delivered, in puds	151,200	334,200	427,900

The number of affiliated households had thus increased 2.5 times in three years, and the production of butter, in puds, 2.8 times.

The growth of coöperative production immediately affected the private plants, which were unable to withstand their competition and began to close down. Private traders in butter and in creamery supplies also very soon felt the effects of coöperative organization which threatened to cut down their profits. A desperate campaign was launched against the coöperatives by the private producers and dealers, who were supported, in many instances, by the government experts in the butter industry. The work of the "Organization," however, continued to grow, as did also its popularity with the people generally.

#### *The Union of Siberian Creamery Associations.*

The progress of the butter coöperatives was, at first, particularly pronounced in the field of production, where they soon came to hold a predominant place. They were also effective in bringing about technical improvements, but their task proved much more complicated so far as marketing was concerned. This remained under the control of private firms, chiefly foreign, which had the advantages of capital, trade experience, extensive connections in the foreign

markets, and unanimity of action of an informal character so far as the Siberian trade was concerned. But the peasant producers, united in local coöperative associations were, in reality, separated from the principal export markets. To eliminate this handicap Balakshin took the initiative in the organization of a union of existing creamery associations. The foundations of the union were laid at a conference held at Kurgan on November 10, 1907, and attended by delegates from twelve associations. Among the first members of the Union of Siberian Creamery Associations was one rural consumers' society, and so the new union came to represent, from the beginning, both producers' and consumers' coöperation. The union was at once incorporated, and beginning with its official opening early in 1908, the original government "Organization" and all appropriations made for its support were at once discontinued.

The growth of the union before and during the War appears in the following table:

	<i>Number of creamery associa- tions</i>	<i>Number of stores</i>	<i>Quantity of but- ter sold through the union (in puds)</i>	<i>Capital of the union (in thousands of rubles)</i>	<i>Annual turnover</i>
1908	65	12	130,700	21	2,300
1909	108	20	190,100	24	2,900
1910	181	34	270,900	34	4,300
1911	218	54	280,600	59	4,200
1912	328	133	480,600	77	4,700
1913	563	502	630,900	239	14,100
1914	864	600	678,800	217	20,200
1915	902	681	1,303,800	282	34,800
1916	922	694	2,942,300	469	73,500
1917	1,410	1,167	2,514,600	3,294	160,400
1918	2,015	2,088	1,177,600	8,958	218,000

The legal status of the coöperative creameries was extremely simple and fully adapted to local requirements. Almost all of them were contract, not charter, associations, the contract being certified to by the local rural administration. The contract usually contained fourteen articles, written in plain and clear language, so that every member could understand them; in this respect it was quite unlike the complicated by-laws of other coöperative associations, which even members of boards often found it difficult to understand. The



contract was supplemented by a power of attorney which the association gave to its delegate, also a very brief document of some five or six articles. Experience showed that these two documents were sufficient for all practical purposes. At the same time a flexible form was thus provided, which enabled the organizations to adapt themselves to the various local conditions and requirements, while maintaining the fundamental principles and purposes of coöperation.

The organization of the creamery associations was substantially along the following lines. The supreme body was the *artel* meeting, which corresponded to the general meeting of shareholders in co-operative associations. There was no board, the executive power being vested in a single delegate. In the interests of technical efficiency the union of the federated associations appointed to each an expert foreman, who was subordinated to the local delegate. If the jurisdiction of an association extended over a large territory, making it difficult to call frequent meetings of members, special councilors were usually selected to meet with the delegate to decide upon all questions of general importance; the general membership further appointed two or three auditors to inspect periodically the financial transactions of the association.

The principal obligations of a member under the association contract were as follows: (1) to pay an initiation fee, which was calculated in proportion to the number of cows owned by each member; (2) to deliver the milk unadulterated; and (3) to deliver the milk to the coöperative plant exclusively. The non-fulfilment of these obligations was punishable by a rather heavy fine, by suspension of the right to vote for a certain time, and of the privilege of delivering milk to the plant.

Following upon the discontinuance of the original "Organization," which had the function of assisting the *artels* in the organization of their accounting, the Union of Creamery Associations assumed the function of auditing all affiliated organizations.

In addition to the organization of production and of marketing, the initiators of the coöperative movement were confronted with other problems of importance. The associations had to be provided with machines, containers, packing materials, "starters," salt, and other articles required in production. It was also important to organize the provision of articles of consumption for the members by substituting sound coöperation for the truck system that had been



practiced by the private wholesalers. The union, through its own branches and the affiliated local stores, successfully solved the problem of supply in articles of production and consumption. In western Siberia the *artel* store proved a form well adapted to local conditions and was not transformed into a consumers' society purely. The *artel* store, while formally an independent organization, with a system of accounting and reporting of its own was, by the essence of its functions, closely connected with the creamery association of its district. It supplied the members with articles of everyday use, either on a cash basis, or on credit; in the latter case the debt was secured by the milk delivered by the member to the coöperative plant. The difficult problem of consumers' credit was thus solved in a comparatively easy manner. The successful functioning of the *artel* stores was assured by the obligation assumed by each member to deliver all his milk to the plant and to purchase all needed articles at the store. In practice, the latter obligation was, of course, not always lived up to, but cases of default were never of any great importance.

The business of the stores was small. Before the War the average annual sales amounted from 5,000 to 10,000 rubles. The average rose to about 15,000 rubles in the war years; only in 1917, when the value of the ruble had depreciated, did it attain 21,000 rubles. If the stores could, indeed, meet successfully the competition of private trade, it was only because the union had set up an extensive and efficient apparatus for wholesale purchasing and distributing through the agency of its own branches. Already, at the end of the first year of its operations, the union opened a second office, and the number of offices continued to grow, reaching 11 in 1913, 17 in 1916, 22 in 1917, and 24 in 1918, apart from 9 commercial agencies and several offices abroad in the latter year. There was attached at each office a wholesale distributing storehouse which was supplied with goods from the central warehouse at the main office. Under this system it was possible to obtain articles of good quality on advantageous terms, without resorting to middlemen.

The aggregate business turnover of the union reached a high figure within a few years. It grew especially during the War, when sales of consumption articles became overwhelmingly predominant as compared with those of producers' goods. The following table will illustrate this:

Year	<i>Sales of consumers' goods</i>	<i>Sales of producers' goods</i>	
	<i>Amount</i> (in thousands of rubles)	<i>Amount</i>	<i>Percentage of total</i>
1913	2,284.9	421	15.5
1914	8,999	663	6.8
1915	10,670	1,118	9.4
1916	9,730	1,371	12.3
1917	25,033	2,049.8	8.2
1918	121,211.2	4,056.4	3.2

It was thus given to the Union of Siberian Creamery Associations to combine, in practice, the principle of producers' coöperation with that of consumers' coöperation, and to develop an original Russian type of organization adapted to the conditions of rural life in Siberia. Its importance in the economic life of Siberia will be clearly realized when it is considered that the union, through its coöperative creameries and stores, united nearly 650,000 households, representing approximately 3,500,000 persons, or over 42 per cent of the population of the butter producing region of western Siberia.

#### *Survey of Activities at Home and Abroad.*

It was pointed out above that from the very moment when butter producing in Siberia began to be carried on along industrial lines, butter had been essentially an export article. This was due partly to the comparatively small capacity of the domestic market and to the remoteness of the large urban centers, but chiefly to the commercial tradition established by the foreign exporters resident in Siberia. The Union of Creamery Associations uncritically followed this tradition. It made no efforts to build up a domestic market, which appeared only during the War. Before the War, the board of the union assumed, as an axiomatic truth, that Siberian butter was there to be exported abroad, especially to England. The only problem, as they saw it, was to make technical provision for its transportation and to establish direct connections with foreign markets. In normal years it was an easy matter for the union to supply the affiliated associations, through its machinery of wholesale purchases, with staves, parchment, and other packing materials. The situation was somewhat more complex in the matter of special refrigerator cars; but thanks to the fact that representatives of the union were serving on a number of government commissions of transportation,

the cars were soon obtained, and the union was enabled to ship butter for export directly to the port of Windau on the Baltic Sea. The problem of foreign markets was much more complicated, for the union was without experience, capital, or trade connections. It was, therefore, dependent upon that very private capital which it had set out to eliminate from the trade, and the fact that this dependence was disguised as an enlistment of private capital in the service of coöperation did not make it any less real.

Before the War the experiments of the union in the field of foreign trade resulted in losses and disappointments. Its capital and reserve lagged far behind the amount of its operations, and lacking funds, it was compelled to enter into various agreements with British firms, which unscrupulously took the fullest advantage of its inexperience. The latest combination of this kind was the so-called Union of the Siberian Coöperative Associations, a joint stock company founded jointly in 1913, in London, by the Siberian Union and some British business firms. Of what little advantage the export trade, as organized under the auspices of this combination, was to the coöperatives, may be seen from the fact that the associations in Siberia received, in 1915, 15.04 rubles for a pud of butter, in paper currency which was already at a discount, while the average price quoted, at that time, in New York was about 20 gold rubles (\$10.76). It was fortunate for the Union of Siberian Creamery Associations that the activities of the London company did not last long,—only during the season of 1913, and during part of the seasons of 1914 and 1915. The outbreak of the War changed entirely the conditions and the direction of the butter trade. The London union was formally liquidated at the end of 1916, by common agreement, and the Siberian Union proceeded to open offices of its own abroad, which was the most rational course. The main office was established in Boston, and other offices in London and Shanghai, and an agency in Kobe.

The last five months of 1914 were a time of heavy trials for the union. The shortage of rolling stock, due to the transportation of troops and of army supplies, together with various restrictive regulations, resulted in almost entirely cutting off Siberian butter from the large domestic and foreign markets. Its butter shipments were frequently sidetracked or misdirected in the railway confusion of the time. The market tended to assume a local Siberian character



of a very limited capacity. Prices slumped down. In addition, difficulties arose in connection with the supplying of the associations with the required materials, especially with staves of Caucasian beech woods. There was the danger of a breakdown, not only of the coöperative organization, but of the Siberian butter industry as a whole.

This was prevented by the energetic action of the Union of Creamery Associations. After protracted negotiations it succeeded, in the beginning of 1915, in securing a contract for the supply of butter for the army. It was an unprecedented fact in military history; the Russian army began to consume first-grade creamery butter. For the union it was a very fortunate solution of its problems; here was a new domestic market, one with a very definite demand. Foreign markets ceased to be the only concern of the union, which now became the chief purveyor of butter for the army, not only of that produced by the coöperatives, but that of private producers as well; on the latter the union was paid a commission of 20 copecks a pud for the first 100,000 puds, and 15 copecks for amounts above that.

As long as the export of butter from Siberia was not forbidden, the union was able, in addition, to sell some small quantities in the general domestic and foreign markets. This, however, implied great difficulties and considerable delay. Neither the union nor the foreign exporters were able to obtain credit accommodations, and it took a few months before transactions could be begun on a cash basis. Furthermore, the railways could not provide sufficient transportation facilities, so that new routes had to be devised. Extensive use had to be made of water transportation on the Ob, Kama, and Volga rivers. Cargoes had now to be transshipped two to six times. The situation was somewhat relieved beginning with June, 1915, when a special commissioner from Petrograd established a definite system of priorities for railway transportation. However, transportation by water, via Tyummen-Perm-Yaroslav, still had to be resorted to, despite the great inconvenience of that route. The shortage of cars became particularly acute in July and in August, 1915, and it was only in August that the stocks left from the preceding season were disposed of.

The fall season of 1915 caused the union a new concern, as the shipment of butter abroad had to be expedited before the rivers at



Kotlas and at Perm were frozen. Before the shipments reached Archangel export of butter abroad had been forbidden, and they had to be disposed of in the domestic markets. Some of the butter which was tied up at Vologda and Yaroslav was sold in Petrograd; 25,700 puds were sold in other cities through the Moscow People's Bank; and, in addition, each office of the union sold butter to various buyers independently. A total of 100,800 puds were sold in the domestic markets. The shipment of butter to European Russia was a very difficult task, as only four refrigerating cars a day were made available for all of Siberia; let alone low prices in European Russia, in some instances lower than those prevailing in Siberia.

On October 6, 1915, the export of butter from Siberia was forbidden, and the Government once more began to purchase it for the needs of the army, the Union of Siberian Creamery Associations again acting as its agent.

The growth of the operations of the union during the War may be seen from the following table of quantities of butter delivered to it in each operating year:

	<i>Total deliveries</i>	<i>Delivered by membership</i>	
		<i>Quantity</i>	<i>Percentage</i>
	<i>(in puds)</i>		
1914	678,793	678,793	100
1915	1,303,829	818,396	62.7
1916	2,942,308	664,856	22.5
1917	2,514,622	957,319	38

The table shows, first, that in spite of all difficulties and of the system of fixed maximum prices, which were, as a rule, behind the market prices, representing an ever increasing loss to the producer, the coöperative creameries and their union maintained their position and continued actively to expand their activities. The amount of butter produced by the association and assembled by the union was increasing. It was only after the Revolution that the danger of decreased production became apparent. The heaviest blow to the butter industry of Siberia was the institution of the butter monopoly, enacted by a simple order of the Minister of Food Supply in the Provisional Government, on September 5, 1917. The prices prescribed in the monopoly decree ranged from 64 to 70 rubles a pud, which obviously was out of proportion to the increased costs of pro-

duction and the decreased value of the ruble. As a result, production was curtailed, the plants and the equipment were not renewed or repaired, smuggling and speculation in butter attained unprecedented proportions to the detriment of the coöperatives and of the peasant producers in general.

The figures given in the table above also reflect the change in the character of the activities of the union which was brought about by war conditions. Before the War the machinery of the union served, with but a few exceptions, entirely for the needs of the affiliated associations, and was adapted to those needs. The requirements of war-time turned the union into the chief agency for the supply of butter for Siberia as a whole. The union thus assumed a position which was practically almost that of a monopoly. This new position, on the one hand, greatly and suddenly increased the scope of the work of the union. On the other hand, it created enormous difficulties, as neither the capital of the union nor the improvements in its technical apparatus, could catch up with the rapid expansion of its activities, to say nothing of the transportation chaos that was getting steadily worse. If all these difficulties are considered it will be admitted that the union splendidly succeeded in coping with its task.

In addition to the provisioning of the army with butter the union entered special contracts with the Government for the delivery of large quantities of hay, lard, frozen pork, and oats. The Union of Siberian Creamery Associations held the first place among Russian coöperative organizations, both by the amount and by the quality of its work, for the supplying of the army. This greatly contributed to strengthen its prestige and to win for it the recognition and appreciation of all supply agencies.

A few details on this aspect of the work may be of interest. The first contracts for the delivery of oats and hay were concluded as early as in August, 1914, immediately after the declaration of the War. The assembling of oats came first, and the union offered, from the beginning, a good price, thus compelling all private buyers to pay the same price and preventing them from taking advantage of the local population. The union made two deliveries of oats, which aggregated 1,500,000 puds. In addition, it supplied various zemstvos with about 300,000 puds of oats for seeds and for fodder. The oats delivered by the union proved of a grade much above that specified in the contract. (Average ratio of grain to hull, 81.2 to 83.3

per cent, against 78 per cent, as stipulated.) Exports of oats from Siberia were, however, soon forbidden, and the union had to discontinue these operations.

The hay deliveries were divided into two periods, those of the winter season and of the summer season, respectively. The board of the union received from the Government hay presses and wire, and it enlisted the local peasants in the work through the medium of its associations and stores. This system of mobilizing local effort was used in all districts, except that of Novo-Nikolaevsk, and it gave splendid results, especially in the second period, when the population had acquired sufficient familiarity with the technical methods of hay compressing and of other required operations. The Novo-Nikolaevsk office proceeded by "business" methods, purchasing the hay directly, and it was much less successful. The hay deliveries amounted in all to 5,802,401 puds in the winter season and to 1,815,078 puds in the spring season. The total value was 3,200,000 rubles; in other words, the Government paid 41.9 copecks a pud for compressed hay of the best grade. Toward the spring the technique of pressing had improved to such an extent that instead of the legally allowed shortage of 2 pounds to a pud, or 5 per cent, there was a surplus of 15,700 puds on the entire lot.

The assembling of lard was carried on in 1915, and it yielded 27,708 puds. These modest results were explained by the union by the fact that there was no local demand for pork without lard, while entire frozen carcasses were in great demand and yielded good prices. The union delivered about 300,000 puds of frozen pork in 1916.

In all, the union's deliveries for the army, other than butter, were of the following values in each year:

*In thousands of rubles*

1914	4,300
1915	6,200
1916	3,800
1917	10,000
1918	300

These figures represent entirely new activities of the union which it had undertaken during the War. At the same time, in spite of the remoteness of Siberia from the front, war conditions strongly af-



feeted the country in general and coöperative butter production in particular. The successive mobilizations deprived the associations, the union, and its offices, of their experienced personnel; there was a shortage of skilled workers and of good office employees; delegates of associations, office managers, members of the board of the union, were drafted into the army. While the work was growing and becoming more complex it had to be performed with the aid of a personnel that was inexperienced, hastily trained, and often temporarily engaged.

On the other hand, various war-time regulations, the impairment of transportation, the steadily loosening intercourse between the important domestic centers of supply and consumption, the curtailment of production in a number of industries, caused the Union of Siberian Creamery Associations to expand its work in other directions as well. The shortage of textile fabrics, dry goods, and other articles required by the stores compelled the union to assume the functions of a large wholesaler and to establish purchasing agencies of its own, in Moscow, Vladivostok, Irkutsk, and Ekaterinburg. In order to meet the difficulties connected with the supply of machines and materials for the associations, the union also opened offices in London, New York, Boston, Copenhagen, and Harbin, and, somewhat later, in Shanghai.

The same causes forced the union to build up a number of industrial and transport enterprises of its own. From the very first years of the War it had operated a number of steamship lines on the Siberian rivers. The growth of its cultural and educational activities led to the establishment of a wholesale book store, a publishing office, and two printing plants. The greater the process of economic disorganization was becoming, the more acute was the shortage of goods without which the creamery associations could not normally function. Most important of all was the shortage of staves and salt for the preparation of butter. The delivery of staves from the Caucasus became practically impossible. The union attempted to place orders in Denmark, which was a hopeless attempt under war-time conditions. The production of salt in European Russia was greatly reduced, and, what was even more important, shipments to Siberia were becoming nearly impossible with the tightening of transport regulations.

The Union of Creamery Associations was, therefore, induced to



proceed to the production of staves on the spot, from birch wood, and to the extraction of salt. The stave plant was established near Kurgan, and the salt works at the Medvezhe Lake. A narrow gauge railway was constructed for the delivery of wood to the plant, and in order to utilize the waste wood a plant for destructive distillation was established. In addition, the union started a tanning plant and a soap factory. A plan was prepared for the construction of a power house to supply several plants with electric motor power.

The special industrial department which was organized at the union displayed unusual enterprise, but its plans were not fully carried out, and some of them were not even tried, as the industrial activities of the union attained the highest intensity in the revolutionary years of 1917 and 1918 when the coöperative movement as a whole had already entered a period of decline as a result of the general economic breakdown.

While the production of butter was on the increase, both technical improvements and marketing organization were hampered by war conditions, the effect of which was more keenly felt every day. This caused the board of the union considerable concern over its stability, and in order to better secure it, it began to extend its operations so as to include within its scope other products than butter. That is how the work of the union gradually came to include the assembling, initial treatment, and marketing of grain, furs, wool, horse and camel hair, bristles, and the like. These operations promised to grow on a large scale with the restoration of normal conditions, and they might have become very valuable as a source of greater well-being to Russian settlers and the native trappers.

### *Sectionalism and Decentralization.*

With every step taken in the extension of the activities of the union, and with the growing complexity of its internal organization, there was also rising up within the union a determined opposition against its leaders and managing bodies, and certain centrifugal forces were asserting themselves with an ever increasing force, and undermining the unity of the organization. Thus as early as the first year of the War, an independent Ural Union was formed, which united chiefly the creamery associations of Orenburg province. The new union remained to the end of purely local importance; only 100 associations were affiliated with it in 1915. But in the following three

years, an arduous struggle developed within the Siberian Union. The main issue was the demand of the local offices of the union for more independence. Under the system in force the finances of the union were managed as a whole, the profits and losses of all offices being pooled together. A demand now arose on the part of the better situated or more efficient offices for the constitution of a special working capital for each office, with a separate accounting and complete independence in the management of local affairs. Another element of opposition was formed by the discontent of the hired personnel, which was very large both at headquarters and at the local offices. While the board readily granted such demands of the employees as related to salaries, working hours, mutual benefit funds, etc., it declined to concede the demand for a representation of the personnel in the managing bodies with a right of vote.

The board of the union went a long way in its concessions to the principle of decentralization. As early as two years after the founding of the union, there were instituted at the several offices special delegates, elected at district meetings of the membership of affiliated associations, who assisted the manager of the district office in the administration of its affairs, under the general supervision of the main office of the union. There were two such delegates at each office, one in charge of butter production, and the other in charge of the wholesale store. Further concessions in the way of greater independence of local offices were made in 1915, when the general meeting appointed two permanent members of the board of the union to represent each office, and three members for each of the two largest offices of Barnaul and of Bisk; in addition, one member of the auditing committee of the union was appointed to represent each district. In 1916 the general meeting confined itself to ratifying the appointments of board members which had been made by the several districts. In the same year the financial organization of the union was reformed, with a view to a greater independence of the several districts. On a motion of the board it was decided to apportion the capitals of the union among the several offices and to make each office responsible for the conduct of its own operations. The general meeting resolved "that the profits or losses resulting from the operations of each office should be credited or debited to the shares of the associations affiliated with it and to the capital of the wholesale warehouse and the stores connected with it, a certain percentage deter-

mined by the budget being set aside for the expenses of the board of the union and credited to the amounts due the board from the respective offices."

All these measures, however, already proved insufficient to stem the process of disintegration. In the beginning of 1915 the Altai Union broke away from the Siberian Union, which thus lost 90 associations of the richest district. The seat of the new union was at Barnaul. It received extensive financial aid from the Moscow People's Bank, which opened to it a credit of 500,000 rubles, although the capital of the new union amounted to 76,000 rubles only. Further financial aid was extended by one of the large commercial banks. The Altai Union, however, never developed any considerable activities. On October 1, 1915, its assets amounted to 537,000 rubles, which included 80,000 rubles of cash on hand, while the butter on hand amounted to only 33,000 rubles, and trade expenses to 23,000 rubles. At the end of 1916 another new union was constituted through separation from the Siberian Union, namely, that of the district of Kurgan, which had been the birthplace of coöperation in the Siberian butter industry.

In addition to the sectional movement and to the unrest among the personnel, there came attacks against the Siberian Union on the part of Socialist elements within and without the coöperative movement. This combined opposition culminated finally in the creation of the Union of Siberian Coöperative Unions, commonly known under its abbreviated name as *Zakupsbyt*.

The formal history of this union was as follows. At a coöperative congress held at Novo-Nikolaevsk, in the spring of 1915, the idea was first put forth of creating a regional union of coöperative organizations of all types in Siberia. The idea was endorsed by the congress, but no concrete decisions were adopted on the matter. At the end of the same year a conference of delegates of unions of co-operatives and of the more important urban and labor coöperative societies of the province of Tomsk and Enisseisk was held at Novo-Nikolaevsk. The conference went on record in favor of the establishment of a regional center, in the shape of a "bureau for intermediary operations on a commission basis," which would have the function of coördinating the purchasing and marketing operations of the coöperatives of western and eastern Siberia. A special delegate was appointed to carry out the organization of the bureau, but



as no funds were placed at his disposal nothing was accomplished in the way of organizing the bureau until the time when the Moscow People's Bank gave its aid to the plan.

In 1916, the Moscow People's Bank opened a branch office in Novo-Nikolaevsk. A Trade Commission for Purchase and Marketing was attached to the branch office, which was transformed in May, 1916, into a Commission of Siberian Coöperatives for Purchase and Marketing, which adopted the abbreviated trade name of *Zakupsbyt*, and which began its operations with an initial fund of 10,000 rubles advanced by the branch office of the Moscow People's Bank. Instead of by-laws the commission was governed by provisional rules, which provided for a permanent bureau and for complete independence from the Moscow People's Bank, although all transactions were effected under the name of the bank and were financed by it.

In August, 1916, the *Zakupsbyt* separated from the Moscow People's Bank and began to function as an independent contractual association. At the end of 1917 it filed its by-laws at the district court, in accordance with the new coöperative laws enacted by the Provisional Government. It thus received the rights of a corporate body and began activities on a broad scale.

The *Zakupsbyt* united, at first, chiefly consumers' societies, and its organization was apparently not related in any way to the Union of Siberian Creamery Associations, or to the coöperative creameries in general. In practice, however, the activities of the new union developed to a great extent in direct competition with the former. The *Zakupsbyt* grew very rapidly. At the end of 1917 its membership consisted of 22 unions of coöperatives, and at the end of 1918, of 27, with about 9,500 affiliated coöperative organizations, mostly consumers' societies.

In 1917 the *Zakupsbyt* started production for its own account, its first enterprise being a printing plant. In 1918 it was running industrial plants in seven different trades. Its main office had 29 special departments and several hundred employees. In addition to the branch offices and agencies in Siberia, it had established several offices abroad, of which the most important were those in Kobe, London, and New York. This union, although originally one of consumers' organizations, soon included within the scope of its activities the butter trade, the assembling and marketing of furs, of

horsehair, etc. The organization of foreign marketing soon became one of its chief interests, concentrated especially in the London market. The *Zakupsbyt* thus followed the example set by the Union of Siberian Creamery Associations and duplicated its activities. It repeatedly sought to induce the latter to join its organization as a member union, but the Union of Creamery Associations declined to consider this proposition. In the autumn of 1918 it adopted new by-laws and assumed the name of Union of Siberian Creamery Associations and Other Coöperatives, extending its jurisdiction to coöperative organizations of all kinds, and especially consumers' societies. The scope of its trading operations was enlarged, and the union undertook a number of simple banking operations as well. The several districts were granted broad autonomy, while the unity of the union, as a whole, was maintained. The administrative machinery thus became much more complicated. The seat of the union was transferred to Omsk. At the same time, as a result of a series of misunderstandings between the union and the Moscow People's Bank and its branches at Novo-Nikolaevsk, the union proceeded to organize a separate Siberian Bank of Agricultural Coöperation. The by-laws of the new bank were drafted and approved, but owing to external circumstances nothing came of the new venture.

## CHAPTER VII

### THE CULTURAL WORK OF COÖPERATION

#### *Organized Control and Audit.*

ANY coöperative organization which has reached a more or less advanced stage of development comprehends, in addition to purely economic activities, a number of non-trading functions which are essential to the sound promotion of coöperative principles. Among these activities the most important are the functions of control and instruction. They are intimately connected and are complementary to one another. The establishment of a systematic audit of books and accounts and of courses for the training of instructors is designed to ensure a regular system of bookkeeping, on the one hand, and to check any irregularities and abuses, on the other.

It seems quite natural, therefore, that the legislation of certain countries requires that the books of each coöperative institution should be examined not less than once a year; the performance of this task is entrusted to special coöperative unions and only in case of their non-compliance with the requirements of the law—to an official appointed by the Government. This system reached its highest degree of development in Germany.

Russia had no special auditing coöperative unions and the whole organization of the functions of control and instruction remained rather loose and indefinite. The books of the institutions of coöperative credit alone were subject to a regular examination. In the early period of the coöperative movement a partial examination of books was carried out by the Committee on Rural Loan and Saving and Trade Associations; later on a systematic and thorough examination of books became a part of the duties of inspectors of small credit, appointed by the Government. The work of the inspectors, as a rule, met with little sympathy from the zemstvos and the newly organized coöperative unions. This hostility naturally spread to local coöperative organizations which constituted the very backbone of the coöperative movement, and rendered the carrying on of the examination of books extremely difficult. It should be recognized, nevertheless, that Russian institutions of coöperative credit owe the regular organization of bookkeeping, which is the very foundation of banking, almost exclusively to government inspectors. The zem-



stvos, through the agency of zemstvo funds, and the credit unions claimed for themselves the right to carry out the examination of books, but when their request was granted they were unable to create an effective system of control and instruction; it seems that they did not take this matter seriously enough. This is why the activities of their instructors usually had a casual character and frequently assumed the shape of mere opposition to government inspectors, or were limited to the cultural and educational work.

Among agricultural coöperative institutions the controlling function was more or less satisfactorily organized only in the creamery associations of Siberia, belonging to the Union of Siberian Creamery Associations. The examination of books and the checking of stock were originally carried out by officers of the union; at the same time the union spared no effort to train a sufficient number of instructors that they might be thoroughly prepared to exercise the functions of control, and at the end of the first decade it largely succeeded in this respect. All the remaining coöperative institutions were living outside the sphere of organized supervision and some of them knew nothing at all about it.

This state of affairs may be explained by the extreme inexperience and the lack of proper development of coöperative unions and also by the fact that the early period of their life was spent in the abnormal conditions created by the War and by the revolutionary upheaval. The unions had neither time nor opportunity to establish the traditions and customs of normal coöperative work. It remains true, nevertheless, that the administrative staff of Russian coöperative unions probably did sufficiently understand neither the nature and object of the functions of control and instruction, nor their importance to the normal course of coöperative work, nor the conditions in which they could be efficiently exercised, although there was no union that would not possess an instruction section, which usually absorbed a large portion of the union's revenue, entirely out of proportion with its budget.

A considerable difficulty was created by the impossibility of finding candidates suitable by training and personal qualifications for the fulfilment of these responsible functions. Persons more or less suitable for this kind of work found a demand for their labor and sufficient remuneration in the ranks of the government inspectors of small credit, and even the cadre of the latter were not filled with-

out difficulty. Naturally only second and third class material was left for coöperative unions. This drawback was constantly felt and was fully recognized in the leading coöperative circles.

*Instruction and Training.*

The work of the Shanyavsky People's University in Moscow was the most important attempt to settle the problem on a national scale; it consisted in the organization of annual courses for training of coöperative workers. The first of these courses was held in 1910. The University began by arranging a six weeks' course on "public assistance to small undertakings and coöperative societies" which was repeated every year; this course was intended for the organizers and leaders of the coöperative movement who had already a practical knowledge of coöperative work, but wanted to amplify and systematize their coöperative education and to gain some knowledge of the scientific treatment of subjects connected with the coöperative movement.<sup>1</sup>

From the autumn of 1915 the University arranged a course for the training of coöperative instructors and inspectors which was intended for men with university education and lasted a year. The syllabus of this course was carefully drawn and covered a wide range of subjects; it was carried out by well-known Russian professors and experts on coöperation. It was intended to repeat this course every year. This led to the creation of a permanent school which would supply, as was hoped by its organizers, coöperative institutions and especially the coöperative unions with a yearly contingent of fully equipped instructors who had passed through the universities and were specially trained for coöperative work.

The hopes attached to this venture were not, however, fulfilled, primarily because the lifetime of this course was limited by fate to three years, after which it was submerged by the Revolution. Moreover, the educational standard of the students entirely differed from the formal conditions laid down by the organizers; the number of students who had completed their university education was very small indeed. The following data are taken from the report for the academic year 1915-1916:<sup>2</sup>

<sup>1</sup> *Vestnik Melkago Kredita*, 1916, No. 38, p. 1522.

<sup>2</sup> *Kooperativnaya Zhizn*, 1916, Nos. 3-4, article by J. Grishenko, secretary to the coöperative lectures department.

Students from elementary schools	34
Students from secondary schools	15
Students educated at home	12
University undergraduates	8
Graduates	3

The course attracted mainly accountants and bookkeepers of rural associations, elementary school teachers, and the village clergy, that is, men who were hardly suitable for fulfilling the functions of control and instruction, although they could be very useful in their respective villages after they had extended their general knowledge and got some training in coöperative work. Of course some of the instructors employed by the unions were not only trained men, but even men of high ability. But, as is usually the case in Russia, they were self-made men, and they were rare exceptions.

The problem of coöperative education and training was constantly discussed by public-spirited people in Russia and aroused a good deal of anxiety. It was debated with great thoroughness by the All-Russian Coöperative Congress held in Kiev in 1913. The congress examined a memorandum suggesting the organization of a Coöperative Institute, a school of the university type, which would also include a Coöperative Museum. This scheme held a central place among other subjects discussed by the congress and met with general approval and enthusiasm. The congress decided to establish a Coöperative Institute and Museum and directed the coöperative institutions to make a yearly contribution to the fund started for this purpose; it was expected that in three years' time it would amount to many million rubles.<sup>3</sup>

But the congress was dispersed and its resolutions remained mere words. By no means all coöperative institutions actually subscribed to the fund, and those which sent contributions did so reluctantly; the subscriptions actually made never appeared anywhere except on the balance sheet of the institution which gave the money, with the result that the whole undertaking never went beyond the stage of discussion.

The lead of the Shanyavsky University was followed by others. The Society for Popular Universities in Petrograd made, in 1916, an attempt to hold a four years' course of training in coöperation;

<sup>3</sup> A. N. Antsiferov, *Ocherki po kooperatsii* (*Essays on Russian Coöperative Movement*), Poltava, 1918, pp. 242-249. Also minutes of the congress.



a number of provincial coöperative unions and zemstvo funds established short-term classes on coöperation.<sup>4</sup>

The result, however, was that Russia did not succeed in creating a special school of the higher type which would supply coöperative institutions with a staff adequately trained for the exercise of functions of control. In the meantime the work of the unions was rapidly growing after 1915, and every new union, including small district unions, deemed it its duty to establish an instruction section of its own. The absence of such a department was considered incompatible with the dignity of a coöperative organization. Similar departments were set up by many zemstvo funds and zemstvo boards.

### *Research and Educational Activities.*

There was another problem in the field of non-trading activities which deserved the special attention of the coöperative unions, namely, the statistical and economic investigation of the conditions of their respective districts, and the collection of information with regard to the market for the commodities in which the union and the associations affiliated to it were particularly interested. Attempts to carry out statistical investigations were made by a number of unions, but without great success, their failure being due to lack of experience and to the lack of uniformity in the investigations undertaken by separate unions, but especially to the absence of men sufficiently qualified to undertake responsible work of this kind. The general level of knowledge of economics among the instructors was not too high; it was still lower in the field of theory of statistics and of the application of statistical methods.

Nevertheless the instruction sections and in some unions the secretariats developed considerable activity, which followed the line of least resistance and usually took the form of organized discussions of coöperative and general subjects, lectures with or without lantern demonstrations, short classes, the organization of libraries and book stores attached to the union, the organization of publishing, and the

<sup>4</sup> The author omits entirely the teaching of coöperative theory in the institutions of university type, which had, of course, its special object and aim. They were a permanent part of the curricula of the Commercial Institutes of Moscow and Kharkov, the University of Kharkov, the Polytechnic Institute of Petrograd, and later on of the Agricultural Institute in Omsk.

issue of periodicals, books, pamphlets, and leaflets dealing with a wide range of subjects.

This work was made easy by the fact that Russian coöperative institutions, even village associations, were very generous in granting money for educational and cultural purposes. And there was keen competition among the coöperative unions, which considered the expenditure of money on cultural and educational purposes a question of honor.

It is not surprising, therefore, that no other country could compare with Russia in respect of the number of periodicals issued by coöperative organizations. Some of the unions published as many as four or five periodicals. In 1916-1917 the total number of newspapers and journals published by coöperative organizations was well over one hundred.

The publishing activities of coöperative institutions were developing and growing. Some of them hired or established printing presses and conducted the business on a large scale, regardless of expense. Coöperative unions published a vast quantity of pamphlets and books of unequal value, which flooded the market. These publications included not only Russian works and translations dealing with the history, theory, and practice of coöperation. A good many among them were works on history, literature, pedagogy, economics, finance; some were plays, others political pamphlets, and textbooks. Some of the unions organized special publishing departments which were subdivided into editorial committees for each branch of knowledge, and with a permanent editor at the head. This enormous quantity of printed stuff accumulated in the book stores and necessitated a rapid increase in the expenditure for their maintenance and expansion. And in order to support these establishments the unions were often compelled to borrow money in the hope that the situation would be improved in some uncertain future.

The convocation of various regional coöperative congresses and of all sorts of "trading," "non-trading," and other conferences of instructors belong to the same class of measures. From 1904 to 1911, inclusive, only 105 such congresses were called in Russia, while in 1912 alone their number arose to 71, and in 1913 to 81. The number of congresses held in 1914 cannot be accurately stated as yet, periodical publications being unable to register them in their

columns. We may safely affirm that their number is well over a hundred.<sup>5</sup>

With a very few exceptions all regional congresses suffered from the following important defects: (1) the vagueness of the object for which they were called; (2) their extremely wide program; and (3) defective organization so far as the reports submitted to the congress were concerned. The last-named shortcoming is explained, on the one hand, by the short notices usually given for the assembly of the congresses, which was, of course, entirely without excuse; on the other hand, and this was undoubtedly the main reason, by the lack of the training and knowledge which would make the instructors suitable for the fulfilment of this task. It is quite clear that in the conditions described above no great value can be attached to the decisions arrived at by regional congresses.

In addition to lectures, libraries, publications, and the convocation of congresses, an attempt was made in certain localities to organize a systematic production of plays in villages by amateurs. Plays were produced by local amateurs with the assistance of experienced amateurs, delegated by the central organization, and sometimes with the help of professional actors. Scenery and stage accessories were usually obtained from the central organization. Russians are gifted actors and the acting was often very fine. Theatrical productions aroused general interest and were a popular recreation with the peasants. Successful attempts were also made to produce children's plays. The Moscow region and Western Siberia (the *Zakupsbyt*) particularly distinguished themselves in organizing theatrical performances. Although the production of plays has no direct relation to the coöperative movement, nevertheless, this side of the activities of the instructors undoubtedly exercised a positive influence and was cultural and educational in the best sense of the expression.

The educational and cultural activities of the Union of Siberian Creamery Associations deserve to be separately mentioned. The union set itself a definite practical aim which could be achieved with the means at its disposal—the training of the staff needed by the union, such as foremen, bookkeepers, and potential instructors. In order to effect this, the union established classes which gradually developed into permanent schools where suitable instruction was

<sup>5</sup> *Vestnik Melkago Kredita*, 1914, No. 50, p. 1983.



given to the younger generation of peasants recruited among the members of the associations, from those familiar from their very childhood with dairy farming and the work of the associations. The education was not entirely free, but the scholars were even kept at the expense of the union. They usually developed into excellent workers with a good knowledge of the practical work of the associations and with a sufficient general educational standard. In short, the union succeeded in founding a good technical professional school.

The considerable defects in the non-trading activities should be attributed primarily to the youth of the unions. The example of the Union of Siberian Creamery Associations shows the direction in which the activities of other unions would probably evolve under normal economic and political conditions.

### *National Coöperative Congresses.*

Large coöperative congresses on a national scale were, of course, of a very different character and had a strong influence upon the whole organization of Russian coöperative institutions and their development. The first of these congresses took place in Moscow in April, 1908. It was attended by representatives of all classes of coöperative institutions, including the consumers' societies, who came from the most remote parts of Russia. The congress had a very large membership and displayed a remarkable enthusiasm and high spirit. This first "review of coöperative forces"<sup>6</sup> allowed the leaders of Russian coöperation to enter into personal contact, to establish a direct exchange of views and opinions, and to get useful ideas evolved in the practice of various coöperative institutions. It filled the hearts of the members of the congress with enthusiasm, with confidence in the future of the coöperative movement, and gave them fresh energy to continue and develop their work. As it was stated above, the congress succeeded in accomplishing an important piece of work in the form of a decision for the establishment of an independent central coöperative bank, and of a first draft of a bill outlining the legal status of coöperative institutions. The practical result of the congress was the immense development of all branches of

<sup>6</sup> M. Slobozhanin (Maksimov), *Smotr kooperativnikh sil* (*Review of Coöperative Forces*), Moscow, 1919.

the Russian coöperative movement. The congress was closed by the authorities before its work was completed.

The second congress was held in March, 1912, in St. Petersburg. For some formal reasons the representatives of coöperative societies of consumers were not allowed to take part in the congress, and this is why it assumed the name of The First All-Russian Congress of Representatives of Small Credit and Agricultural Coöperative Organizations. The official exclusion of consumers' societies resulted only in the absence of that section of the congress; unofficially the leaders of consumers' societies were present and took part in its work. On the other hand, the representatives of dairy and creamery associations, which had already reached a considerable degree of development and were entitled to be represented, did not, in fact, take part in the work of the congress. The membership of the second congress was also a large one; it consisted of 623 members distributed as follows: Coöperative credit and agricultural societies and associations were represented by 383, coöperative unions and central organizations by 7, and societies for the promotion of co-operation by 3,—a total of 393 delegates; in addition, there were 50 representatives of zemstvo boards, and 29 from the zemstvo funds organizations; the government inspection of small credit was represented by 59 delegates; and finally, a fourth group of private persons of 92 interested in the movement.<sup>7</sup>

This congress brought face to face the representatives of the co-operative organizations with those of the section of the zemstvos which adopted the promotion of coöperation as a part of their program. One might have expected that the meeting of the two parties would lead to a more intimate coöperation advantageous to both sides, and a closer coördination of the work of the zemstvos with that of the coöperative institutions. Unfortunately it proved impossible to arrive at an understanding, partly because of the uncompromising spirit displayed by the representatives of the coöperative movement, and partly because of the lack of a genuine desire among the representatives of the zemstvos to find a common ground for discussion.

Considerable achievements were to be expected from the work of the congress in the field of agricultural coöperation. A special committee dealing with this matter was set up, but its work gave little

<sup>7</sup> *Vestnik Kooperatsii*, 1912, No. 3, pp. 107 *sqq.*

tangible result. This was due to the fact that the most powerful group of agricultural coöperative societies—those engaged in dairy farming—was not represented. An important outcome of the congress was a detailed legislative bill dealing with coöperative institutions.

The third All-Russian Coöperative Congress met in Kiev in the summer of 1913, and included representatives of all branches of the movement and of the zemstvo funds. Its membership was larger than that of the two previous congresses.

The third congress offered an opportunity for the manifestation of Ukrainian separatist aspirations, which, however, took the moderate form of an argument as to the shape of the coöperative system, opposing the federal type to that based on centralization. The congress devoted a good deal of attention to the organization of unions, coöperative training, the legal status of coöperative institutions, and legislation. The third congress displayed perhaps even more enthusiasm than the first. Its members dispersed with an unshaken faith in the strength of the coöperative movement and with the brightest hopes for the future. Unfortunately, in the very near future these hopes were subjected to severe trials and bitter disappointments. One may notice that the third congress, like its two predecessors, had to overcome the obstacles put in its way by the Government. It was debarred from electing its chairman and was allowed to meet only on the express condition that it should be presided over by a person appointed by the Government.

The constant display of mistrust and the irritating difficulties raised by the Government every time that the question of calling a national congress came under discussion naturally provoked discontent in coöperative circles; it fomented feelings of opposition which created a favorable ground for propaganda that had nothing to do with coöperative aims. All congresses, therefore, were diverted from their proper objects and wasted a considerable amount of time and energy in formulating appeals to the Government demanding the removal of administrative obstacles, the independence of coöperative organizations, the extension of their powers, and the right to appoint a permanent board of congresses. The intention of leaving behind it a board of congresses, or at least a permanent bureau for the convocation of congresses, had already been clearly manifested during the first congress of 1908, but effect could not be



given to it because the Government refused its sanction. The functions in question were temporarily exercised by the Committee on Rural Loan and Saving and Trade Associations. The two following congresses were similarly prevented from appointing a permanent board.

Under the Provisional Government, after the Revolution of March, 1917, these obstacles were removed, and the desire of the congresses was finally realized. The decree of the Provisional Government on coöperative associations and unions was published on March 18, 1917, and gave legal sanction to the legislative bill prepared by the congresses.

The fourth All-Russian Coöperative Congress, which became known in coöperative literature as "the First Free Coöperative Congress,"<sup>8</sup> met in Moscow at the end of March of the same year. Coöperative unions alone were represented. As usual the congress was hastily summoned and some of those who should have attended it were not duly notified. In view of the large increase in the number of coöperative organizations and unions, the membership of the congress, which reached 600, must be considered inadequate. At any rate it was smaller than that of all previous All-Russian coöperative congresses. Nevertheless, about 250 coöperative unions were represented.

The most important and typical decisions among those adopted by the fourth congress were as follows: (1) the establishment of a permanent council of All-Russian coöperative congresses; (2) the appearance of coöperative organizations on the political arena, through participation in the elections to the Constituent Assembly; (3) the decision to lend their support to the economic policy of the Provisional Government and, particularly, to the enforcement of the proposed grain monopoly. We shall consider here only the first two resolutions.

On the first question, the congress decided on the immediate establishment of a permanent council of All-Russian coöperative congresses with headquarters in Moscow. The council had the duty of organizing and summoning All-Russian and local coöperative congresses and of enforcing the decision of All-Russian congresses. It

<sup>8</sup> M. Tugan-Baranovsky, *Vserossiiski Sezd Kooperativnikov Soyuzov* (*The All-Russian Congress of Coöperative Unions*), in *Vestnik Kooperatsii*, 1917, Nos. 2-3, pp. 90 sqq.

was also expected to "promote the moral and cultural unity of Russian coöperative institutions." The council consisted of ten members elected by the congress and of representatives of regions into which Russia was divided for this purpose. The funds for the maintenance of the council were to be provided by the Moscow People's Bank and the coöperative unions in accordance with an estimate and a schedule of apportionment prepared by the council. The resolution of the congress dealing with the establishment of the council was officially sanctioned by the Provisional Government.

The question of the participation of coöperative organizations in the political life of the country became the subject of acute controversy. As a matter of fact, up to that moment Russian coöperative institutions, as a whole, were strongly in favor of keeping completely aloof from politics. The supporters of this deeply rooted tradition were represented at the congress. But so great was the excitement that prevailed at that historic moment that the congress carried, by a large majority, a resolution in favor of the participation of coöperative organizations in the political struggle and decided to nominate their own "coöperative" candidates for the elections to the Constituent Assembly.

One of the leaders of the fourth congress and an ardent supporter of the participation of coöperative organizations in the elections, the late Professor M. Tugan-Baranovsky, states the case of the majority as follows:

That coöperative organizations should stand aside from political life is no doubt desirable under normal conditions. But we are now passing through a period of revolution when everyone is involved in the political struggle and when all the living forces of the country ought to coöperate in order to ensure the victory of sound principles in the great struggle. The bulk of our peasantry are too ignorant of politics, and coöperative institutions are the only stable organizations round which they rally. In these conditions Russian coöperative institutions have the very responsible task of educating the peasants in politics, of increasing their understanding of political questions and of preparing them for the elections to the Constituent Assembly. In the fulfilment of their task coöperative organizations ought not to be bound by any party programs. They ought to defend the interests of the people and to support a political program common to all the democratic parties. This attitude on the part of coöperative organizations will contribute to the appeasement of the struggle between the parties and lead to a better understand-

ing among all those who defend the interests of the working population.<sup>9</sup>

The decision of the congress quoted above had a decisive influence upon the work of the council. It became the central electoral committee for the preparation of lists of candidates for the elections to the Constituent Assembly, either by its own action or by agreement with political parties. This work, however, proved fruitless. The candidates of the council unavoidably found themselves at the bottom of the pool. Only two or three of them chanced to be elected.

In the field of purely coöperative work the council entered upon a struggle with the inspectors and the Board of Small Credit. The hostility of the Board of Small Credit was considerably weakened in the meantime, for changes had taken place in its personnel; the board was now headed by a person recommended by the coöperative organizations and who was himself a member of the council. The position of the latter in its campaign against the Board of Small Credit was greatly strengthened. Its intransigent attitude was not shared by all members of the permanent council. The supporters of a more tolerant view maintained that it was impossible, as well as inadvisable, to bring the work of the inspectors abruptly to an end, and suggested that they should be gradually wound up by the transfer of their functions and documents to the coöperative bureau and coöperative council attached to the permanent council, which should take over the controlling functions originally exercised by the inspectors, as well as the collection and publication of returns and statistics dealing with all branches of the Russian coöperative movement.<sup>10</sup> These suggestions met with no definite reply from the permanent council and they only succeeded in slightly delaying the complete liquidation of the Board of Small Credit. In the meantime the struggle entered into by the permanent council, which enjoyed a considerable influence in the new government circles, rapidly led to the disorganization of the government control of institutions of small credit. The inspectors lost all confidence in the future, and all energy and desire for work. They neglected the latter, resigned, and tried to find other occupations. Many of them sought employment with coöperative unions and were ready to accept modest situations. The well-organized system of regular audit of books of institutions

<sup>9</sup> M. Tugan-Baranovsky, *loc. cit.*, p. 105.

<sup>10</sup> *Torgovo-Promishlennaya Gazeta*, 1917, No. 189.



of small credit began to crumble away. At the same time, the valuable records and statistics assembled by the Board of Small Credit became mere waste paper, never made use of and left unexamined.

The permanent council carried on its work for about a year and succeeded in calling the fifth congress in the summer of 1918; it was then submerged by the waves of the Revolution, leaving behind it only a few valuable books on coöperative matters published in the course of its existence.

Partly under the influence of the council of All-Russian coöperative congresses and partly as a result of the political events which divided Russia into separate regions, regional councils of coöperative conference sprung up in large provincial centers. Such councils were organized in Kharkov, Rostov-on-Don, Odessa, and in western Siberia. The part played by regional councils in coördinating the work of coöperative organizations within their jurisdiction was more important than that of the central council; this may be primarily explained by the fact that the scope of the political activities of regional councils was necessarily restricted.

The right of establishing permanent councils, as laid down in the act on congresses of coöperative institutions, admitted of a very wide interpretation. The lead of the coöperative unions was, therefore, followed even by local organizations and resulted in the establishment of provincial and even district permanent councils, which was, of course, meaningless. It is only fair to add that cases of the appointment of such councils were rare.

### *Concluding Observations.*

The Bolshevik Revolution took place in the capitals on October 25, 1917, when the Provisional Government was overthrown and the majority of its members were imprisoned in the fortress of Peter and Paul. The coöperative movement did not at once feel the effects of the Revolution. At first the Bolsheviks treated the coöperative institutions with a certain reservation and favor; thus, as late as 1918, after the nationalization of all banks, the Moscow People's Bank was allowed to go on with its work. In regions outside Soviet authority, as in the territories of the Cossacks, Little Russia with the adjoining provinces, the North region, Ural, Siberia, and the Crimea, the Anti-Bolshevik governments also ensured the freedom for the development of coöperative organizations.

The Bolsheviks, therefore, did not secure full control of the co-operative organizations until 1920, and even then a number of branches of large co-operative organizations existing abroad defended their independence. During that protracted and trying period the co-operative movement of Russia constituted an important economic force. In the rural districts, thanks to the great network of credit co-operatives, the most oppressive forms of money-lending ceased to exist. The need of a credit system was understood by the bulk of the rural community and any working family, however poor, was enabled to obtain a loan. Co-operative credit gradually became a permanent and necessary element of peasant farming, the real foundation of the whole economic structure of Russia. The progress of agriculture, so characteristic of Russia at the beginning of the twentieth century, is, undoubtedly, closely connected with the progress of co-operative credit. The tendency to develop subsidiary branches of farming side by side with the main cereal crops was already manifest before the War, and while these new interests were only in their infancy, co-operative credit inevitably played an important part in the process. We have seen the irksome conditions of government tutelage and control, and the defects of internal organization, yet, in spite of all this, the foundations of the co-operative movement were sound. During the war period the movement was gradually pushing aside the binding restrictions of government supervision, becoming more independent of official subsidies, acquiring self-confidence, accumulating experience, and funds. During the War these "free" funds reached a figure slightly under 300,000,000 rubles.<sup>11</sup> It was difficult to find a suitable investment for this money under war-time conditions. But with the restoration of peace and the return of the country to normal economic life, it would have served as a permanent and reliable source for financing other branches of the co-operative movement already existing or only beginning their activities.

The War and the food policy of the Government stimulated the excessive growth of the co-operative system and increased the discrepancy between its mere size and its vital energies. Under the circumstances only the oldest and best established co-operative unions were in position to fulfil, to a certain extent, their fundamental

<sup>11</sup> Credit associations about 200 million rubles; loan and savings associations about 88 million rubles.

functions, to act as sources of credit for their members, and to regulate the flow of funds between them. The local associations, on the whole, were still outside the sphere of the unions; nor were the unions firmly linked to the regional and central coöperative banks for common work and united action. There was also a wide difference in their attitude. The rural communities wanted to improve their farming and increase their revenue. But the young newly established unions were too often dominated by the socialist elements of the cities, who insisted on jumping at any price and at once into the "bright kingdom of socialism," and on the immediate rebuilding of all economic relationships. This fundamental contradiction in the aims and policies of city and country only widened the gulf between them. Most of the unions were too recent, too far embarrassed by complicated economic and political issues of the day, to work out a definite policy of their own. Undoubtedly the majority of short-lived unions were led astray from their direct and most important coöperative objects, owing chiefly to the irresistible attraction of popular political slogans and to the food policy of the Government. The situation was greatly complicated by the fact that many unions were apt to evolve into "universal" organizations, that is, to extend their membership to all kinds of coöperative societies without any exceptions, and to enter into the most varied transactions outside the legitimate scope of coöperation.

It is, therefore, necessary to underscore the lesson of the period, that success and permanence were the lot of those organizations which took up some strictly definite economic function. Dairy coöperation is the most striking example, followed by associations mainly of the productive type, such as flax, tar-making, canning, drying of fruits and vegetables, woodcutting, etc. This branch of the coöperative movement, which is of primary importance to the progress of Russian agriculture, made a great step forward during a very brief period. The Russian peasant displayed in this difficult matter a gift for organization, and gave proof of self-restraint and persistence in the pursuit of his aims, a willingness to sacrifice personal advantages to those of the community, and even of his ability to adapt himself to the complex requirements of the international market. It is worth noticing that it was the coöperative unions formed for the fulfilment of some special task which, as a rule, succeeded in solving the problem of marketing their goods with which



the credit unions and even the Moseow People's Bank were unable to deal. These unions and their affiliated associations were bound by strong and intimate links, which remained a mere *pium desiderium* for the majority of credit unions.

The machinery of the eoöperative credit societies was still too elementary and unpretentious. Coöperative credit was exercised in its most rudimentary forms; mortgages and loans on securities were only just introduced, while long-term credit was still in the stage of preliminary discussion. This is the main reason why the coöperatives remained "general," why the various functions had not separated themselves from the main body and developed independently. Nevertheless, the operation which is usually described by the term of "productive consumption," that is, the providing of organized farmsteads with the means of production, was becoming an important part of the activities of the credit associations. The coöperative organization for the marketing of the products of agriculture began to develop only during the War, and the Russian coöperatives still had to face the complex problem of establishing permanent and normal relations with the market at large, and especially with the home market. Attempts were made by central eoöperative institutions to create special unions under the name of Coöperative Grain, Coöperative Egg, etc., in order to establish direct connection between these special branches of eoöperative work and the market, but these attempts have been frustrated by the Revolution.

The outlook for the continued development and improvement of eoöperation, in all its forms, was very promising indeed. It may be safely maintained that for rural Russia credit and agricultural co-operation not only was not something extraneous, forced upon it from the outside, but, on the contrary, was intimately connected with the deep changes that were taking place in farming, and served as a powerful medium for the stimulation of the processes under way, in production and in marketing. Russian coöperation had the characteristics of a mass movement, in city and country. The sudden outbreak of the Revolution turned everything upside down. Many old, trusted workers of the movement had joined the army with the outbreak of the War and a good many newcomers, entirely unsuitable by their general outlook for eoöperative work, found their way into the coöperative organizations. The newly created unions especially were invaded by people, devoid of any real education, self-

conscious and vain, but deprived of any understanding of or interest in coöperative work. Some of them were intentionally undermining coöperation. In the general state of revolutionary exaltation and nervousness, the old-line leaders were powerless to check the process of internal decay and corruption. The structure of Russian coöperation, rotting from the inside, could not withstand the revolutionary storm. Its foundations were injured, and many parts of the building have crumbled down. The coöperative movement entered a new phase of its development, the examination of which remains outside the scope of the present work.







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